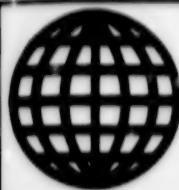


JPRS-USA-89-009

31 JULY 1989



FOREIGN  
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# ***JPRS Report***

## **Soviet Union**

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***USA: ECONOMICS, POLITICS, IDEOLOGY***

No 2, February 1989

**Soviet Union**  
**USA: ECONOMICS, POLITICS, IDEOLOGY**  
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[The following is a translation of the Russian-language monthly journal SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA published in Moscow by the Institute of U.S. and Canadian Studies of the USSR Academy of Sciences. Refer to the table of contents for a listing of any articles not translated.]

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**USA: Economics, Politics, Ideology**

**No 2, February 1989**

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**Republican, Democratic Parties' International Ties**  
*18030008a Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 89 (signed to press 16 Jan 89) pp 12-20*

[Article by Sergey Alekseyevich Porshakov, candidate of historical sciences and scientific associate at the Institute of World Economics and International Relations, USSR Academy of Sciences]

[Text] In the last decade the political integration of the leading states in the capitalist world has gradually encompassed their internal party-political structures. The development of cooperation of various types with foreign political parties, for example, has become a new area of the policies of the Republican and Democratic parties in the United States. Until recently neither the Republicans nor the Democrats had any regular international contacts. In contrast to them, West European parties have a solid background in foreign policy activity and have joined several international associations—the Socialist International, the European Democratic Union, the European Union of Christian Democrats, the Liberal International, and the party factions of the European Parliament. In addition to this, parties with similar political ideologies maintain bilateral contact. The leaders of political parties in the FRG and Sweden present an example of this close contact: In the FRG the four leading parties—the CDU-CSU, SPD, FDP, and the "Greens"—are allocated around 220 million dollars from the federal treasury annually for this purpose.<sup>1</sup>

The active involvement of Republicans and Democrats in inter-party cooperation in the foreign policy arena began at the end of the 1970's. In 1979 the American Political Foundation was established on the initiative of then Chairman of the Republican National Committee W. Brock and member (later chairman) of the Democratic National Committee C. Mannatt to investigate possible spheres of interaction with foreign political parties and non-governmental organizations. In April 1983 the leaders of the country's two main parties created special subdivisions of their national committees—the national Republican and Democratic institutes for international affairs—which were headed respectively by Congressman R. Lagomarsino (California) and former diplomat B. Atwood.

**The Republicans and the "Conservative International"**

The tendency toward the consolidation of conservative parties in the leading capitalist nations aroused considerable interest in the 1980's. The Republican Party of the United States has played a perceptible role in this process. In particular, it founded the Pacific Democratic Union in 1982 in conjunction with the Liberal Democratic Party of Japan and the National Party of New Zealand. Republicans began attending meetings of the European Democratic Union in the capacity of observers and were among the founders of the International Democratic Union (IDU) at a conference in London on 26 June 1983. This is an association of conservative, center-right, and Christian democratic parties in the industrially developed Western countries. Later the union was joined by a group of parties with the same politico-ideological orientation from several Third World states. The "conservative international" now unites 27 political parties in 25 countries, representing more than 150 million voters.<sup>2</sup> The chairman is Austrian Foreign Minister and People's Party leader A. Mock, and one of the vice-chairmen (along with former Prime Minister of France J. Chirac) is President Reagan's former National Security Adviser R. Allen. The union holds conferences twice a year to work out a common political strategy for the conservative parties. They are also attended by high-level staffers of the Democratic Party of the United States, who have observer status in the IDU.

As soon as the "conservative international" was founded, the Republicans began to play a key role in its activity, defining the IDU line on a broad range of foreign and domestic policy issues. The Republican Party was the organizer of the second conference, held in Washington at the end of July 1985. It also suggested the inclusion of several New World political parties in the union. The establishment of an association of conservative parties on the American continent is now being planned.

A special body, a political campaign committee, was established at the suggestion of the Republicans to coordinate the activities of center-right parties within the IDU framework. It organizes the international seminars which are held at least twice a year. Prominent party officials exchange experience in the organization and financing of election campaigns and set the dates for joint sociological studies and public opinion polls. In particular, this kind of undertaking was organized by the Republican Party in November 1985.

The IDU, which has been joined by the ruling parties of leading capitalist countries, has become a forum for making major political decisions. It is indicative that the gradual improvement of the international climate in recent years is beginning to affect the policymaking of conservative parties. With a view to world public opinion, their leaders are making adjustments in foreign policy precepts which were considered to be immutable

just a short time ago. In the joint communique of the third union conference in West Berlin at the end of September 1987, the members of the "conservative international" applauded the USSR-U.S. agreement on the elimination of intermediate- and shorter-range missiles and called for the conclusion of a Soviet-American treaty on the reduction of strategic offensive arms by 50 percent, a total ban on chemical and bacteriological weapons, and the reduction of troops and conventional arms in Europe. At the same time, however, they warned against "excessive haste" in taking action on these matters, reaffirmed their determination to resist the "communist threat from the east," and expressed their belief in the doctrine of nuclear deterrence as the most effective means of maintaining security in the world.<sup>3</sup>

Meanwhile, centrifugal tendencies have recently been growing stronger within the IDU. Ronald Reagan's foreign policy line did not please all of the spiritually related, center-right parties. Although the Republican Party won approval for the SDI program from most of its partners in the "conservative international," representatives of several neutral states refused to support the idea of "Star Wars." In spite of the Republican Party's official position, many West European members of the union condemned the U.S. military aid to the Nicaraguan contras and advocate dialogue between the Sandinista government and opposition groups in accordance with the proposals of the Contadora group.

The position of conservative parties in the sphere of socioeconomic policy is distinguished by much stronger unity. They have an unconditional belief in the main postulates of the "market economy" and occupy similar positions on relations with trade unions, employment, education, environmental protection, energy, and crime prevention.

The Republican leadership assigns cooperation between "think tanks"—conservative research centers specializing in the sphere of foreign policy, economics, labor relations, sociology, and law—an important place in the interaction with foreign parties. The Heritage Foundation has been particularly active in this area.

Its work is aimed at the elaboration of a single political strategy for all center-right parties. It is in contact with almost 200 conservative parties, sociopolitical organizations, and "brain trusts" abroad.

The Heritage Foundation's most vigorous activity has been conducted in the British Isles. Three "think tanks" have been established in Great Britain with its direct participation. The Institute of European Defense and Strategic Studies, the Coalition for Peace from a Position of Security, and the International Freedom Foundation, with close ties to the Conservative Party. The Heritage Foundation is also subsidizing three other research centers, although on a more modest scale—the Organization for Social Issues, the International Symposium on the Problems of an Open Society, and Annex.<sup>4</sup>

The Heritage Foundation also maintains contact with the conservative Club des Heures in France, the Hans Seidel Fund (an international branch of the West German CSU), and economic institutes in Paris and Rome and financed the research of conservative economist F. von Heieck from Freiburg University (FRG). In the middle of the 1980's it acquired permanent partners in Japan, South Korea, Taiwan, and several other Asian states.

The cooperation between American and West European political parties in various spheres has strengthened their mutual influence. The process of the "Americanization" of Old World parties sped up perceptibly in the 1980's. In particular, they are gradually mastering many of the political methods and practices characteristic of American Republicans and Democrats and are acquiring more and more of the features of political machines for the mobilization of voters. The West European parties are now striving to address the electoral body as a whole, and this is weakening their earlier attachment to specific social strata. In the race for the votes of the broadest possible categories of voters, party platforms are becoming increasingly vague and the earlier precise ideological distinctions are being erased. Bourgeois, conservative and liberal, and social democratic parties have been equally vulnerable to this new trend. Even some communist parties—in Italy and France, for example—have been receptive to these processes.

Under the influence of "Americanization," the nature of the political process in Western Europe has undergone significant changes. The "think tanks" are much more actively involved in inter-party debates. The leaders of Old World parties are more likely than before to take the results of sociological research into account when they map out their political strategy. An entire network of private consulting firms made its appearance in France in the last few years. These firms supply party leaders with information on practical aspects of political activity. West European parties are enlisting the help of leading American specialists in public opinion analysis and political advertising. For example, J. Napolitaine advised V. Giscard d'Estaing in the presidential campaign in France in 1974. His colleagues M. Reese and R. Graver were the consultants of Social Democratic candidates, and R. Wirthlin, the head of the U.S. Republicans' sociological service, advised the Conservative Party of Great Britain in the parliamentary elections of 1983. H. Hickman assisted the Panhellenic Socialist Movement (PASOK) and its leader A. Papandreu in the parliamentary elections in June 1985, while another American expert, D. Sauer, served on the side of the conservative New Democracy Party. The services of the previously mentioned R. Wirthlin are regularly solicited by the leaders of Italian political parties, and Spanish political parties enlist the aid of J. Deardourff.<sup>5</sup>

The political arsenal of Old World parties has been supplemented by an entire set of new forms and methods of voter cultivation. Some of them have borrowed the

direct-mail advertising methods of the American Republican Party—the distribution of propaganda to voters agreeing with certain elements of their programs and the solicitation of political contributions from these voters with the aid of lists compiled in advance. The "data bank" of the Conservative Party of Great Britain now contains information on more than 3 million people.<sup>6</sup> The British Social Democrats have also been using the direct-mail method since 1982.

#### **What the National Endowment for Democracy Does**

In the 1980's the National Endowment for Democracy (NED) became an important forum for cooperation by Republicans and Democrats with foreign parties. This is a relatively new organization on the national political horizon. President Reagan signed the law establishing it on 16 December 1983. It is financed by the federal government. Its founders include, in addition to Republican and Democratic party leaders, the AFL-CIO and the U.S. Chamber of Commerce. The chairman of the NED is former Assistant Secretary of State J. Richardson, and the president is former Executive Director of Social Democrats, USA, and Assistant Permanent U.S. Representative to the United Nations C. Gerschman. The members of the governing body, the board of directors, are influential politicians belonging to both of the leading parties: former Vice-President W. Mondale, former U.S. Secretary of State H. Kissinger, Chairman of the Republican National Committee F. Fahrenkopf, his predecessor and former Secretary of Labor W. Brock, former Chairman of the Democratic National Committee C. Mannatt, Senator O. Hatch, Chairman of the House Committee on Foreign Affairs D. Fascell, and Chairman of the AFL-CIO L. Kirkland.

The idea of creating the NED came into being under the influence of the criticism of U.S. foreign policy in the 1970's by neoconservatives and members of other politico-ideological currents. "We must take a serious lesson from the foreign policy failures of American diplomacy in the Third World countries in the past decade," Republican Senator D. Durenberger said when the bill on funding for the endowment was being discussed on 3 October 1986. "These mistakes could have been avoided if a publicly supported democratic model of government had been developed with the aid of the United States as a contrast to the Somoza dictatorship and the Sandinistas in Nicaragua and to the shah's administration and Khomeini regime in Iran."<sup>7</sup>

Republican and Democratic party undertakings within the NED framework are aimed at the development and reinforcement of the institutions of bourgeois democracy abroad, the cultivation of the ideology of free enterprise, the maximum support of parties with similar political ideologies and closely related public organizations, labor unions, research centers, and news media, the opposition of the influence of progressive parties and democratic movements, and the molding of public opinion. Its sphere of activity includes primarily developing states,

and also such West European countries as France, Italy, Spain, and Portugal, where communist and socialist parties have considerable influence. The endowment is now active in more than 70 countries. Since the time of its founding it has extended over 88 million dollars to foreign parties and political organizations.

In recent years American political parties have perceptibly broadened the scales of their work on NED programs in Latin America, especially in the countries now making the transition from authoritarian military regimes to the democratic form of government. They are working on several programs in conjunction with political parties in Venezuela and Costa Rica, which have accumulated a wealth of practical experience in inter-party contacts in this region.

Representatives of the Republican and Democratic parties were asked to perform consulting services during the planning and implementation of political and legislative reforms in Argentina. They also took part in the establishment of Conciencia, a civilian non-party organization encouraging women to take an interest in politics. They are now assisting in the creation of similar associations in Uruguay and several other Latin American states. During the presidential elections in Panama in May 1984, the NED subsidized the campaign of N. Ardito Barletta, the Democratic Revolutionary Party candidate who was supported by the army and who won the election by a slight majority.<sup>8</sup> The Republicans and Democrats are financing the activities of the political action committees of local parties and the publication of EL INDEPENDIENTE in El Salvador and they are financing a "think tank" called Libro Libre in Costa Rica. With funds extended by the NED, Coordinadora, the coalition of opposition political parties, trade unions, and business associations in Nicaragua, established a sociological research center and resumed the publication of the opposition newspaper LA PRENSA in 1985.<sup>9</sup>

In Latin America the Republicans are connected to several center-right parties by the bonds of close cooperation. Through their efforts, a political research center (CEDEP) for the study of public opinion was set up for the conservative parties just before the presidential and parliamentary elections in Guatemala in November 1985. In Bolivia they finance the work of the Fundemos research center, operating under the auspices of the Nationalist Democratic Action party. The National Republican Institute for International Affairs also sponsors the Conservative Party in Colombia. During presidential elections in this country in May 1986 it helped the Colombian Conservatives win the support of voters dissatisfied with government policies. This, however, did not help the Conservative Party escape defeat. Other defeats in presidential and parliamentary elections were suffered by the center-right parties supported by the Republicans in Bolivia in July 1985 and in Costa Rica in February 1986. Consultants from the "Grand Old Party" took part in organizing a series of measures to

increase voter activity in the "elections" the Republican administration staged in Grenada in December 1984, after the armed invasion of the island by American troops.<sup>10</sup>

The Democratic Party has an equally impressive service record. International conferences attended by the leaders and legislative deputies of almost 30 center-left parties in Latin America were held under the auspices of its National Institute for International Affairs within the NED framework in Washington in May 1985 and in Caracas a year later. The delegates concentrated on the discussion of the role of political parties, business associations, trade unions, the army, the church, the mass media, and education systems in the process of transition from military regimes to civilian forms of government and the development of the institutions of bourgeois democracy in the region. Most of them condemned the policies of the Reagan administration in Central America.<sup>11</sup> These conferences allowed the Democrats to expand their sphere of bilateral inter-party cooperation with moderate bourgeois political parties. They have interacted most closely with the Radical Civic Union and Justicialist (Peronist) Party in Argentina, the Social Christian Party and Democratic Action in Venezuela, the Liberal Party in Colombia, the Blanco Party in Uruguay, and the Social Christian Party in Ecuador.

The Democratic Party launched active dialogue with the opposition parties of various politico-ideological leanings in Chile—christian democratic, nationalist, social democratic, radical, republican, and others—which signed an agreement at the end of August 1985 on united action in the struggle to establish a democratic order in the country. The Democratic Party leadership is developing cooperation with them in the belief that the military regime of General Pinochet will sooner or later give way to a civilian form of government. It is giving all-round support to bourgeois and social reformist parties loyal to the United States in an attempt to keep political power in Chile from falling into the hands of progressive forces in the future. The National Institute for International Affairs is training opposition leaders and activists to organize political campaigns. The Chilean parties cooperating with the Democrats conducted a series of nationwide public opinion polls with NED funds. In November 1985 a conference organized by the Democratic Party was held in the U.S. capital and was attended by the leaders of the 11 main opposition parties in Chile. The main topics of discussion were the conditions and possibilities of the country's transition from a military dictatorship to a democracy.<sup>12</sup>

The Republicans and Democrats have recently strengthened ties with political parties in the Asian-Pacific states. An inter-party commission of their representatives monitored the observance of democratic standards during the special presidential elections in the Philippines in February 1986. The Democratic Party is developing bilateral relations with the South Korean opposition—

the National Coalition for Democracy. Its leaders attend joint seminars for the exchange of experience with Democratic National Committee staffers.<sup>13</sup>

The inter-party contacts of U.S. political parties also extend to the African continent. They have established their strongest ties with parties in Senegal, Zimbabwe, Botswana, and Gambia. In July 1985 the National Democratic Institute for International Affairs organized a conference for the discussion of prospects for the establishment of the fundamentals of bourgeois democracy in Africa. It was attended by representatives of political parties in 19 African states.<sup>14</sup> Through the party's black caucus (a small group of politicians from one faction), the Democrats maintain a dialogue with the leaders of several of the African trade unions and public organizations in South Africa that are demanding broader political and economic rights for the native population of the country.<sup>15</sup>

The NED program also extends to the activities of the two main U.S. parties in Western Europe, which have become much more energetic in recent years. Representatives of the Democratic Party of the United States have attended meetings of the Socialist International as observers and have expanded bilateral ties with the parties making up this organization. The Democrats have been the patrons of the Social Democratic and Labor Party (SDLP) in Northern Ireland since 1985. Their interest in cooperation with the SDLP is dictated largely by the fact that this is the only party of the Catholic population that believes in non-violent means of settling the religious conflict in this province of Great Britain. The Democrats regard its policy line as a counterbalance to the extremism of the Irish Republican Army. Leaders of the SDLP, including Chairman J. Hume, undergo regular training in the United States in the planning and organization of election campaigns, the reinforcement of the party political structure, the molding of voter opinions, interaction with the news media, and fund-raising. The help of prominent Democrats—senators, congressmen, and party officials—is enlisted for the training of this party's leadership. The National Democratic Institute for International Affairs financed the establishment of an SDLP research center for the study of public opinion.<sup>16</sup>

The Democrats began establishing a strong bilateral relationship with the Socialist Party of Austria (SPO) in the middle of the 1980's. There are regular contacts between representatives of the leadership of both parties and legislators. In July 1987 the director of the National Democratic Institute for International Affairs, B. Atwood, visited Austria and discussed closer interaction by the two parties with SPO secretaries H. Keller, F. Marsch, and P. Schieder.

In France the NED extended 1.4 million dollars to a rightwing student organization, the National Intercollegiate Union, which has close ties to Civic Action, an underground extremist group, and Force Ouvrière, a

rightwing reformist trade union, which used these funds to support conservative candidates and to campaign against Communists and Socialists during the elections to the National Assembly in March 1986.<sup>17</sup>

As soon as the NED was founded, the idea of active cooperation by American political parties with foreign parties encountered serious opposition in Congress. The NED turned into the target of criticism from the left and the right. The most determined advocates of its dissolution are Republican Senators W. Rudman, J. Helms, and L. Weicker, Republican Congressman H. Brown, and Democratic Senators E. Hollings and D. Bumpers, and Democratic Congressmen J. Conyers and B. Frank. Their arguments against the continued existence of the endowment are quite varied. They believe that the NED is essentially duplicating the functions of existing subdivisions of the State Department and some other federal agencies. By influencing elections in other countries, the Republicans and Democrats, in their opinion, are damaging the United States' international prestige. As Democratic Senator E. Zorinsky quite pointedly said, "interference in the electoral process of sovereign states is far from the best way of promoting the development of democratic principles in the world."<sup>18</sup> The NED's opponents also point out the fact that Congress is frequently unable to oversee the expenditure of federal funds by the party national institutes for international affairs, which are not subject to the same financial checks as government agencies.

The conservatives condemn the endowment leadership for assisting opposition groups in Chile, South Korea, and South Africa and foreign parties and organizations whose policy lines are contrary to basic White House foreign and domestic policy aims. In turn, the liberals criticize the NED for the support of openly rightwing forces in El Salvador, Nicaragua, and other "hot spots" on the planet and the resulting artificial fueling of regional conflicts. They believe that most of the undertakings of the Republicans and Democrats are of an anticommunist nature and are aimed much less at the consolidation of democratic forms of government abroad.

The opponents of the NED are striving for the considerable restriction, if not the neutralization, of endowment activity. The attacks they have launched, however, have been unsuccessful. On 6 December 1985 Republican W. Rudman's resolution on the exclusion and withdrawal of the two leading parties from the NED political structure was rejected in the Senate by a vote of 44 to 43. An amendment to the USIA funding bill, calling for the dissolution of the endowment and introduced by Democratic Senator E. Hollings, met the same fate at the same Senate session. It was supported by 32 legislators and opposed by 57. A similar proposal by Democrat D. Bumpers was rejected in the Senate on 3 October 1986 by a larger majority, 79 to 19. Finally, on 18 June 1987

the House of Representatives torpedoed Democrat J. Conyers' amendment calling for the liquidation of the NED when 91 congressmen voted for it and 310 voted against it.<sup>19</sup>

The coalition of NED supporters on Capitol Hill is growing perceptibly. It unites legislators from both of the leading political parties, conservatives and liberals. The idea of expanding the scales of the foreign policy activity of American parties is supported most enthusiastically by Republican Senators R. Lugar, O. Hatch, J. Garn, and M. Hatfield and Democratic Senators E. Kennedy, D. Moynihan, W. Bradley, A. Gore, and P. Simon.<sup>20</sup>

The cooperation with foreign parties and non-governmental organizations, which is supplementing the arsenal of American foreign policy means and methods and is intended to give it greater flexibility and stability and to affirm the political and ideological influence of the United States in the world, is becoming one of the important fields of Republican and Democratic activity.

#### Footnotes

1. CONGRESSIONAL RECORD, 18 June 1987, p H5270.
2. In addition to the American Republicans, the IDU also includes the Progressive Conservative Party of Canada, Rally for the Republic (France), the British Tories, the West German CDU and CSU, the Liberal Democratic Party of Japan, the Popular Alliance (Spain), and ideologically kindred parties in Australia, New Zealand, Austria, Cyprus, Denmark, Finland, Greece, Norway, Portugal, Sweden, Colombia, Jamaica, Belize, Mexico, Costa Rica, the Dominican Republic, and Grenada. Some Christian democratic parties—in Italy, Belgium, and the Netherlands—refused to join the "conservative international" on the grounds that their policies are of a more moderate and clerical nature and are essentially incompatible with the IDU line (AUSTRIA TODAY, 1985, No 3, pp 8-10; CONGRESSIONAL RECORD, 26 July 1985, p E3562).
3. THE WASHINGTON POST, 26 September 1987.
4. Members of conservative groups in the Republican Party are executives of several British research centers: President E. Fulner of the Heritage Foundation was elected the chairman of the Institute of European Defense and Strategic Studies, and R. Allen was elected a member of its board of directors. One of the advisers to the prime minister of Great Britain is J. O'Sullivan, the former editor of the Heritage Foundation press organ POLICY REVIEW. He composed several key sections of the Conservative campaign platform in 1987 (THE NATION, 6 June 1987, pp 760-764).
5. The developing states have also become an important sphere of activity for political consultants from the United States. In the presidential elections of 1973,

1978, and 1983 in Venezuela, for example, the Democratic Action party employed the services of J. Napolitaine, K. White, R. Squier, and J. Gaither, while the Social Christian Party was assisted by M. Reese, D. Sauer, and D. Garth. During the presidential campaign of 1986 in the Philippines, D. Sauer advised opposition leader C. Aquino, who won the election, and the American Black, Manafort, and Stone firm advised the defeated incumbent head of state F. Marcos. Sauer works with leaders of political parties in Colombia, Costa Rica, Panama, Israel, and Nigeria. During elections to the Chamber of Deputies of the Mexican National Congress in July 1985, R. Wirthlin's service conducted a series of public opinion polls in this country for the National Action Party (PUBLIC OPINION, February/March 1986, pp 10-12).

6. BUSINESS WEEK, 7 July 1986, p 28.

7. CONGRESSIONAL RECORD, 3 October 1986, pp S14883-14884.

8. Ibid., 6 December 1985, pp S17020, S17024, S17026; THE NEW REPUBLIC, 23 December 1985, p 13.

9. CONGRESSIONAL RECORD, 6 December 1985, pp S17026, S17032; 18 May 1988, p E1581; DISSENT, Spring 1986, p 148.

10. CONGRESSIONAL RECORD, 6 December 1985, pp S17018, S17026, S17029; 9 April 1987, p H2038; 18 June 1987, p H5271.

11. Ibid., 11 July 1985, pp S9458-9460.

12. Ibid., 6 December 1985, pp S17019, S17026; 3 October 1986, p S14884.

13. NATIONAL JOURNAL, 28 June 1986, p 1607.

14. CONGRESSIONAL RECORD, 6 December 1985, p S17020; THE NEW YORK TIMES, 22 September 1986.

15. CONGRESSIONAL RECORD, 3 October 1986, p S14882; 18 June 1987, p H5274.

16. Ibid., 6 December 1985, p S17028; THE NEW YORK TIMES, 1 June 1986.

17. THE NEW YORK TIMES, 4 December 1985; 1 June 1986.

18. CONGRESSIONAL RECORD, 6 December 1985, p S17024.

19. Ibid., pp S17021, S17033; 3 October 1986, p S14885; 18 June 1987, p H5274.

20. All of the data the author cites apply to the 100th Congress—Ed. COPYRIGHT: Izdatelstvo "Nauka", "SShA—ekonomika, politika, ideologiya", 1989

### **Obstacles to Use of Federal Budget Policy To Regulate Economy**

18030008b Moscow SShA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 89 (signed to press 16 Jan 89) pp 21-29

[Article by S.K. Dubinin: "The Federal Budget in the U.S. Financial System (Article Two)"; first article in SShA: EKONOMIKA, POLITIKA, IDEOLOGIYA, No 1, 1989]

[Text] The last two decades were a period of significant changes in the U.S. national economic mechanism. Changes were particularly dynamic in the financial sphere. Whereas the movement of financial resources through credit and financial channels (operations in the loan capital market, the federal budget sphere, and monetary circulation) was closely attached to the movement of real assets in the past, now the financial flow is more autonomous. The connection certainly has not disappeared, but it has become more complex. The reciprocal effect of the financial system and the "paper economy" on the development of actual economic processes has grown stronger.

The U.S. federal budget, which is part of the financial system, is distinguished by considerable inertia, and its adaptation to new conditions has been slow and inconsistent. In our day the U.S. budget is less of an instrument for the adaptation of the economy to the changing realities of economic life than a source of heightened contradictions. The growing budget deficits are the clearest sign of this process.

### **The Budget Situation and the Accumulation of Capital**

The deficit financing of budget expenditures, which was regarded as a completely legal and acceptable instrument of economic policy in the last decade, is now condemned almost unanimously by U.S. politicians and economists. This is more than a mere adjustment to the currently popular conservatism, which includes "affordable government" among the administration's fundamental virtues. An assessment of the economic consequences of various budget policy alternatives invariably leads the majority of American experts to the conclusion that the adverse effects of the structural deficit outweigh its ability to stimulate economic growth.

The federal budget deficit has turned into a real obstacle to more effective state-monopolist regulation of the U.S. economy. Above all, there is the previously mentioned process by which the economy "grows accustomed" to a permanent deficit. All financial flows in the U.S. economic mechanism have now adapted to the situation in which the government conducts large-scale operations in the loan capital market to mobilize funds to cover the deficit and service the national debt. Under these conditions, economic affairs can be influenced only by a change in the deficit, an increase or decrease in the flow of funds used for deficit financing. In the second place,

the budget income and expenditure patterns which turned the deficit into a permanent phenomenon complicate the purposeful use of changes in the size of the deficit to regulate the economy.

The problems of capital accumulation and competitive potential are closely interrelated. In this connection, prominent American expert B. Friedman wrote: "Without an increase in capital accumulation, the enhancement of labor productivity and competitive potential will be extremely difficult, if not impossible.... If resolute steps are not taken to abandon current practices, which is quite unlikely, the deficits will continue to be the main obstacle to the further recovery of capital accumulation in the United States in the 1980's."<sup>1</sup>

The post-crisis period of economic prosperity from 1983 to 1987 did not solve structural problems in the American economy in spite of the fact that it was the longest period of uninterrupted economic growth in all of the postwar decades. It did not lay a solid foundation for the long-term enhancement of the American economy's international competitive potential. An economic recession in the near future could even jeopardize the real achievements of lower rates of unemployment and inflation than at the beginning of the 1980's.

The data in Table 1 [not reproduced] attest to a long-term tendency toward a decrease in the percentage of the U.S. GNP represented by net domestic investments. This indicator reached its maximum level (7.1 percent a year on the average) in the 1962-1971 period and then declined to 6.6 percent between 1972 and 1981 and to 4.4 percent between 1982 and 1985.

The same data testify that the growth of the U.S. federal budget deficit to an average annual figure of 4.9 percent of the GNP in 1982-1985 clearly impeded investment growth. Calculations prove that net savings should have risen to 8.5 percent of the GNP instead of the actual 6.3 percent to secure a level of net internal investment at least equal to the average indicator for the previous 10 years. Net private savings, however, have not reached this average annual level in the United States since the end of World War II. The average annual indicator in 1951-1980 was only 4.8 percent of the GNP, and there was no valid reason to expect the figure to almost double.

Furthermore, even this increase in savings could turn out to be inadequate for the maintenance of the capital accumulation level in the U.S. economy if the net flow of foreign capital should recede. Then the average annual level of net savings would have to rise to 10 percent of the GNP.

A report by the House Budget Committee of the U.S. Congress said that the U.S. federal budget deficit had absorbed 57 percent of all the savings of households, private business, and state and local government agencies in the 1980's. In the last decade the annual indicator was around 20 percent.<sup>2</sup>

American conservatives are striving to interpret these facts as proof of the need to stimulate savings as a basis for investment growth, but there is no guarantee that savings will automatically turn into investments. By leaving more income after taxes in the hands of the population, the government created opportunities for the accumulation of available financial resources, but this policy stimulated consumption, instead of accumulation, with equal or even greater success. The same can be said of any increase in corporate income after taxes. In cases of financial solvency, the corporations can simply pay larger dividends. Besides this, huge sums were invested in purely financial operations. Government policy in the first half of the 1980's provided the "fuel" for the stock market boom. Corporate mergers and takeovers became a veritable mania in the United States.

In 1986, for example, there were 3,000 corporate mergers (i.e., 15 mergers each working day); 22 of these corporations had assets of over a billion dollars each. The annual number of takeovers and mergers of firms with assets exceeding a billion dollars quintupled in just around 10 years. Furthermore, one out of every three such "marriages of conveniences" breaks up soon afterward.<sup>3</sup>

The significant increase in the volume of the financial assets circulating within the U.S. financial system led to the disintegration of several economic processes. Economic growth and the accumulation of capital in real and nominal terms have distinctions going beyond statistical indicators. The growth of all financial assets and liabilities in the U.S. economy exceeds the real growth of the physical gross product and capital accumulation. The result is something like an increase in the "financial input" per unit of GNP.

The coefficient of elasticity of indebtedness in the non-financial sector steadily exceeded 1 in relation to the growth rate of the nominal GNP in the 1980's (see Table 2) [not reproduced]. The coefficient was 1.66 on the average from 1980 to 1986.

The relationship of the total indebtedness of the non-financial sector of the U.S. economy (calculated as the cumulative debts of all non-financial borrowers at the end of the year) to the GNP that year has displayed amazing stability throughout the lengthy period following the end of World War II. The indicator rose slightly from a fairly low level of 133.4 percent in 1956 to 145.5 percent in 1964. At the beginning of the 1970's the indicator was 141.7 percent, and at the beginning of the 1980's it was 142.8 percent.<sup>4</sup> It is subject only to slight cyclical variations. Furthermore, neither the consumer debt nor the government debt has a constant relationship to the indicator of economic activity (GNP). Their combined amount, however, did not deviate sharply from 140 percent of the GNP.

By the middle of the 1980's there was an obvious tendency toward a rise in the ratio of indebtedness in the non-financial sector to the GNP, regardless of the phase of the economic cycle. In 1984 it rose to 157.2 percent of the GNP, and in 1986 it reached 179.4 percent.<sup>5</sup>

The growth of the credit and financial superstructure of the American economy includes the accelerated growth of the federal government debt. The United States does not deviate from the average indicator of the leading imperialist states making up the "group of seven," measuring the relationship of the central government's debt to the national GNP,<sup>6</sup> but the figure in the United States was distinguished by a clear tendency toward increase throughout the 1980's (see Table 3) [not reproduced].

From the financial standpoint, this is clear evidence that the so-called base federal budget, representing estimates of tax revenues and expenditures for all purposes with the sole exception of interest payments, has a built-in deficit. This means that credit from the loan capital market is being used not to manage and service the earlier debt, but to accumulate new debts. The continuation of this trend during the period of economic prosperity in the middle of the 1980's made the further growth of the federal debt inevitable.

Government loans have a substantial effect on the overall level of real interest rates in the loan capital market: In the 1980's they stayed within the range of 4-7 percent, whereas the average for the previous 100 years was 2 percent per annum.<sup>7</sup>

The augmentation of the deficit could have a short-term stimulating effect on the economy through the mechanism of increased total demand. This effect, however, would conflict with the negative effects of the rise of real interest rates on economic assessments of investment profitability.

Government bonds represent an alternative form of investment in financial assets and divert the resources of the private sector not only from investments in the firms' own capital (or assets) but also from investments in commercial securities and other corporate bonds. Besides this, the anticipation of a further increase in taxes, which will sooner or later be unavoidable to reduce the deficit or at least to pay the interest on the huge federal debt, also reduces the appeal of investments in production expansion for potential investors.<sup>8</sup>

According to the estimates of American economist J. Makin, total losses in investment volume from 1980 through 1985 as a result of the rapid growth of the federal debt in relation to the GNP amounted to around 50 billion dollars.<sup>9</sup>

Therefore, the growth of the annual deficit in the U.S. federal budget to 150-200 billion dollars is affecting economic affairs in the following areas. First of all, the

need to cover the deficit forces the Department of the Treasury to regularly enlist the aid of the loan capital market and increase the federal debt. The government's constant presence in the market as a borrower has a significant effect on the terms of credit. Second, the terms on which the private sector gains access to loan capital resources, in turn, have a significant effect on the intensity and patterns of capital accumulation in the economy. Third and finally, the momentum engendered by federal demand for loan capital is transferred through the system of financial markets to the sphere of monetary circulation within the country and international financial and credit relations outside the United States; the mechanism of the interdependence of such complex processes as inflation, the determination of currency exchange rates, and the budgetary redistribution of finances is set in motion.

#### Coordination of Regulating Measures

The free flow of financial resources through the channels of the financial system is vitally necessary to the contemporary state-monopolist economy. All of the social ties in the economy of a country like the United States are registered in the form of credit and financial transactions. All operations with real assets take this form. In this way, an increasingly complex pyramid of mutual obligations takes shape; economic partners become increasingly interdependent. The stability of economic development depends more and more on the stability and uninterrupted functioning of a complex and complicated financial sector.

The bourgeois government is an active participant in operations in the financial system. In turn, the U.S. administration uses monetary and budgetary instruments to conduct an economic policy securing the attainment of the strategic goals of ruling circles.

As we demonstrated above, the U.S. federal budget has turned into an almost uncontrollable mechanism that is difficult to use purposefully. As a result, budget decisions serve as something like a point of departure for the implementation of credit and currency policies. They frequently have the aim of reducing the damage inflicted on the economy by fiscal decisions.

Obviously, the realities of the budget are not the only factor influencing these areas of U.S. economic policy, but when various credit and currency regulation measures are being planned, the current budget situation and the budget's effect on the economy have to be borne in mind constantly.

Traditionally, the interaction between budget authorities and the central bank (the Federal Reserve System) has been viewed from the standpoint of the FRS performing the functions of the government's banker: It conducts clearing operations and currency transactions and manages the federal debt on instructions from the government. The central bank's role is not confined to purely

technical operations. The FRS' acquisition of loans and operations with securities on the open market serve as instruments to regulate the total amount of credit and money and credit expansion. In the 1980's the FRS' proportional holdings in the federal debt decreased from 13.1 percent in FY 1982 to 8.5 percent in FY 1986. This was certainly enough, however, to conduct the operations of a central bank on the open market, operations which are part of the monetary regulation of the economy. The key problem in this area is the coordination of FRS actions with other institutions to secure a common economic policy line.

Budget policy serves as something like a long-range point of reference for U.S. economic policy. Theoretically, in accordance with monetarist thinking, credit and financial policy should also be of a long-term nature. This could facilitate the coordination of different areas of economic policy, but the realities of life preclude this. Monetary measures have to bear all the weight of short-term adjustments in economic policy. Surmounting inflation, reacting to cyclical changes in market conditions, and maintaining the stability of the exchange rate of the national currency—too many problems have to be solved with a limited set of instruments. The simultaneous attainment of all these goals does not seem possible.

Under these conditions the coordination of different areas of economic policy becomes a series of conflicts and necessitates the ordering of priorities and the choice of the proper instruments. In the United States the situation is complicated by the decentralization of responsibility and economic authority and their distribution among relatively autonomous government institutions. For decades there has been a conflict between the executive branch—the administration, headed by the President—and the legislators in the U.S. Congress. In recent years it has been supplemented by conflicts between economic institutions under the direct jurisdiction of the President and the Federal Reserve System, which enjoys effective autonomy in conducting monetary policy.

For 10 years the FRS leadership has made a persistent attempt to restrict the flow of credit and financial resources in the U.S. economy, regarding these restrictions as the only guarantee against inflation and the decline of the currency exchange rate. This hard line, which conservatives frequently portray as the most important element of "Reaganomics," was implemented almost against the will of the White House. The intransigence of the former head of the FRS, P. Volcker, and its present chairman, A. Greenspan, led to several acute conflicts in the upper echelons of government.

As a result, the paradoxical combination of the expansionist budget policy of augmenting total demand with monetary restrictions ceased to be the episodic tendency it was until recently and became a stable characteristic of government regulation of the U.S. economy in the

1980's. This augmented the effects of credit and financial measures and the growth of the federal debt on the loan capital market. This served as grounds for the prolonged maintenance of real interest rates at a high level. The prime rate in the United States declined only in conjunction with a decline in the rate of inflation.

The FRS' hard line in combating the threat of inflation has restrained the rise of interest on long-term government liabilities (the rate dropped from 13.75 percent in 1982 to 8.34 percent in 1988).

The "hard money" policy, however, is impeding national economic growth. During the recession of 1980-1982 it increased the severity of production cuts and delayed the emergence from the crisis. It was then that the huge deficits and debts determining the state of the U.S. financial system began to accumulate. The structural nature of the budget deficit is undisputed, but this compounds the threat of an impending new economic recession, which should impose a temporary reduction in tax revenues on the already colossal discrepancy between budget expenditures and income. The threat of recession always lends particular urgency to the coordination of different areas of economic policy.

A new phenomenon in the 1980's was the unprecedented interdependence of U.S. domestic and foreign economic policies. Although the relationship of exports to the GNP still does not exceed 10 percent (the indicator was 7.1 percent in 1986), American experts believe that more than 70 percent of the goods produced in the United States have to compete with foreign items.<sup>10</sup> Any expansion of internal demand is more likely to stimulate imports than national production. As a result, foreign competitors strengthen their position and retain a large share of the American market. A high percentage of demand is "exported" in this way.

An equally important factor is the fundamentally new situation in which the U.S. financial system is almost completely open in relation to the international loan market. The position of the dollar as the reserve world currency and the chief medium of international exchange is used to great advantage by U.S. capital, but this means that any budgetary and monetary measures within the country evoke an immediate reaction in the world currency market. This severely restricts the free use of monetary instruments of economic regulation.

The FRS cannot lower the prime rate to stimulate credit expansion without considering the possibility that this might weaken the dollar's position in the currency market. The decline of the dollar exchange rate does not always promote economic growth in the United States. It has a positive effect on American exports and the GNP, but its influence is confined to a fairly limited framework. A lower exchange rate is not enough in itself to correct the balance of payments.

Foreign capital has become an integral element of federal debt financing. Foreign investors now represent a high percentage of the holders of U.S. federal securities: In September 1987 they accounted for 15.7 percent of the portion of the debt financed by private investors.<sup>11</sup> American Treasury notes worth 10 billion dollars are sold each year on the international loan market. The volume of operations with these securities reached around 3.5 trillion dollars in the middle of the 1980's in the European currency market.<sup>12</sup> A loss of faith in the dollar on the part of foreign investors could deplete this source of additional loan capital.

In addition to this short-term "penalty" for an excessively low exchange rate, more severe and long-term consequences would be unavoidable. A prolonged decline of the exchange rate would undermine the price positions of traditional importers in U.S. markets—especially Japanese and West German firms, because of the considerable rise in the exchange rate of their currencies. In view of the importance of export production to the economies of the United States' main trade partners, a recession in their economies as a result of the erosion of their position in the American market must be avoided. In this case, an economic crisis caused by the internal development of the U.S. economy would be exported. It would spread quickly and become a world economic recession. This would eventually hurt the economy of the United States itself by compounding production cuts and delaying its recovery from the crisis.

Another negative result of the declining exchange rate of the dollar could be a perceptible rise in inflation in the United States. The prices of foreign goods are slowly but surely rising. The overall rate of increase in the retail prices of consumer goods was only 2-3 percent a year in the second half of the 1980's, but in 1988 the official projection rose to 4 percent. The Congressional Budget Office and most experts outside the government predict a rate of 5-5.2 percent.<sup>13</sup>

The U.S. economy has fallen into a typical trap of the "stop-and-go" policy so characteristic of many West European countries, in which a choice has to be made between the stimulation of economic growth or the maintenance of a stable currency exchange rate. In the United States, however, the problem is compounded by the considerable foreign participation in financing its federal debt. As a result, the stimulation of total demand through deficit financing forces the American leadership to raise the price of credit in order to attract foreign capital to U.S. financial markets. The United States cannot afford any other method of deficit financing until it can raise the exchange rate of its currency by reinforcing the competitive potential of national production and improving the balance of trade.

Under these conditions, the international coordination of the economic policies of leading capitalist states has become essential. In spite of numerous declarations of readiness and willingness to harmonize budget, credit,

and currency policies, however, most of the steps actually taken have been of a unilateral nature. A moderate degree of coordination was only achieved in the currency sphere in the last 2 years. The appeal for the coordination of credit and budgetary measures has become a traditional part of the economic declarations following meetings of the Western leaders, but this has not produced any concrete results yet.

The process of state-monopolist regulation of the U.S. economy, in which budget policy occupies a central position, has experienced several restrictions in the 1980's:

**Internal financial:** The structural budget deficit precludes an increase in expenditures and a further decrease in taxes even under the threat of recession.

**International trade:** The additional budgetary stimulation of internal demand does not appear to be an effective instrument for the stimulation of economic growth because a rise in demand in the United States could increase the supply of imported goods.

**International financial:** Attempts to stimulate demand and expand credit in the U.S. economy with the aid of monetary instruments could lower the exchange rate of the dollar and have a negative, instead of positive, effect on the loan capital market.

Budget policy in the United States is now being conducted in an extremely complex economic environment. Many traditional economic policy instruments have lost their effectiveness. The conservative shift in economic policy, which led to the revision of budget priorities by the Reagan administration, did not bring about any stable positive structural changes in the economic system. What is more, budget policy itself, in its present form, is putting an additional burden on the U.S. financial system.

#### Footnotes

1. B. Scott and G. Lodge, "U.S. Competitiveness in the World Economy," Cambridge, 1985, p 427.
2. INTERNATIONAL CURRENCY REVIEW, October 1987, pp 22, 24.
3. VITAL SPEECHES OF THE DAY, 1 December 1987, p 101.
4. "Reconstructing the Federal Budget. A Trillion Dollar Quandary," edited by A. Sommers, New York, 1984, p 96.
5. Calculated according to data in: ECONOMIC INDICATORS, November 1987, pp 1, 26.

6. In 1986 the figure was 56.2 percent in the United States, 90.9 percent in Japan, 88.9 percent in Italy, 68.8 percent in Canada, 57.7 percent in Great Britain, 41.1 percent in the FRG, and 36.9 percent in France (CONGRESSIONAL RECORD, 6 November 1987, p S16010).

7. J. Makin, "U.S. Fiscal Policy. Its Effects at Home and Abroad," Washington, 1987, p 17.

8. In this case, the author is not discussing the entire group of investment "motives," among which the cyclical changes in the investment profit margin occupy the most prominent place. He is referring solely to the effects of the growth of the federal debt on capital investment.

9. J. Makin, Op. cit., p 12.

10. THE ECONOMIST, 30 January 1988, p 58; "Report of the President's Commission on Industrial Competitiveness. Hearing Before the Subcommittee on Economic Stabilization of the Committee on Banking, Finance and Urban Affairs, House of Representatives," Washington, 1985, p 4.

11. "Economic Report of the President 1988," Washington, 1988, p 348.

12. VITAL SPEECHES OF THE DAY, 15 August 1987, p 669.

13. THE NEW YORK TIMES, 20 February 1988; "Federal Budget Watch. Economic Analysis Program," THE CONFERENCE BOARD, 10 December 1987, p 4. COPYRIGHT: Izdatelstvo "Nauka". "SShA—ekonomika, politika, ideologiya", 1989

**U.S.-Saudi Arabian 'Contradictory Partnership'**  
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[Text] In the pursuit of its Middle East policy the United States has traditionally relied on key states—the influential shah's Iran, militarily strong Israel, capable of defending American interests in the region, and oil-rich Saudi Arabia, and lately also on Egypt, the most populous Arab state, representing something like the center of the Arab world. The loss of Iran's support as a result of the anti-monarchic revolution naturally caused the American leadership to take a greater interest in Saudi Arabia.

American experts on Middle Eastern affairs have traditionally emphasized the importance of Saudi Arabia to the United States. "We can say without any exaggeration," American expert on the Middle East S. Tillman wrote, "that no country in the world is of greater economic and strategic importance to the United States than Saudi Arabia."<sup>1</sup> "Of all the countries in the world," another author, B. Grayson, concurred, "it is unlikely that any one is as important to the United States as this distant desert kingdom."<sup>2</sup>

We could hardly agree completely with these statements, because there are many other countries in the world of at least as much significance as Saudi Arabia for the United States, but it is completely obvious that its position on the scale of American foreign policy priorities should not be underestimated.

#### American Interests in Arabia

The U.S. interest in Saudi Arabia is based primarily on oil. This country has the largest oil deposits in the world. Annual oil production in this country has come close to 250 million tons in recent years. Saudi Arabia became the main bastion of the American oil empire in the Middle East back in the 1930's. In the future the significance of Saudi oil might even increase. The United States is striving to establish control, including military control, over the regions of oil production and shipping lanes so that Saudi oil can be used as additional leverage if necessary, including leverage for pressure on U.S. allies. Many Pentagon documents pertaining to the creation, improvement, and use of the "rapid deployment force" (RDF) and the training and maneuvers of this force testify conclusively that the zone of RDF use consists mainly of the Persian Gulf and Saudi Arabia. The American leadership has promised to protect Saudi Arabia, as well as some other conservative regimes in the gulf, "by every means possible." "The United States will not allow Saudi Arabia," President Reagan said a few months after he arrived in the White House, "to fall into the hands of external or internal groups which might cut off the flow of Saudi oil to the West."<sup>3</sup>

It is not only Saudi oil per se that is of such tremendous importance to the United States, but also the influence Riyadh exerts on the common policy line of the OPEC countries. Although Saudi Arabia's actions in this organization have not always served U.S. interests (the oil embargo in 1973-1974, initiated by Saudi Arabia among other countries, provides sufficient proof of this), its line in OPEC as a whole has agreed with the long-term interests of American monopolies.

Besides this, Washington has displayed a definite interest in the active use of Saudi Arabia's huge financial receipts from the export of oil for the political and ideological penetration of other developing countries with the aim of creating an atmosphere there favorable to the United States and the West as a whole. In the 1970's and early 1980's it was Saudi Arabia that served

quite well as something like the United States' Trojan horse. Coordinating its actions closely with Washington's and relying on the billions in assets it has accumulated in petrodollars, the Saudi regime has inflicted considerable damage on liberation and anti-monarchic movements in Arab states and other countries in Asia and Africa. Whereas prior to the overthrow of the shah's regime Iran and Saudi Arabia had an unspoken agreement on the division of spheres of influence, with Saudi Arabia concentrating on the African countries and Iran concentrating on Asian states, especially Afghanistan, Pakistan, Bangladesh, and India, after the victory of the Islamic revolution in Iran the Saudis became more active in Asian countries, particularly Pakistan and Bangladesh.

Saudi Arabia's ability to influence the domestic and foreign policies of developing countries with the aid of petrodollars is quite significant. To this end, it makes extensive use of its own finances and of the funds extended by various Arab organizations in which the Saudis usually play a dominant role. For example, this kind of aid has been extended to more than 50 Asian, African, and Latin American states just through the Special Fund for Aid to Developing Countries, established by OPEC in January 1976 (and later renamed the OPEC Fund for International Development). Besides this, Saudi Arabia has had a perceptible effect on the activities of such Arab organizations of development aid as the OAU Fund for the Economic Development of Arab Countries, the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Islamic Development Bank, and some others which usually operate in close contact with the Saudi Development Fund.

All of this activity is primarily intended to assist conservative forces and effect the reorientation of regimes announcing plans for socialist development. In 1978, for example, Saudi Arabia extended 400 million dollars in aid to Somalia, effectively in payment for the Somali regime's turn toward the West and conservative Arab groups, and then added another 200 million dollars for assistance in the war against Ethiopia.<sup>4</sup> Riyadh made large contributions to the treasuries of Egypt and Sudan to promote the move to anti-Soviet positions by the Sadat and Nimeiri regimes and offered large sums of money to Afghan counterrevolutionaries and several odious African leaders. This kind of aid is frequently extended to regimes with which Washington has direct ties but does not wish to publicly admit them. On the whole, Washington regards Saudi Arabia as a serious counterbalance to various anti-imperialist forces and regimes in the Middle East.

Because of the presence of the holy cities of Muslims—Mecca and Medina—in its territory, Saudi Arabia is one of the most influential members of the Organization of the Islamic Conference (OIC), within the framework of which it can also promote political decisions benefiting the United States and quell anti-American feelings.

Saudi Arabia's claims to leadership in the Arab world became quite distinct after Egypt's isolation in 1979 and the start of Iraq's war with Iran in 1980. In any case, this country has consistently played the leading role in the exclusive politico-economic group of the Gulf Cooperation Council, the other members of which are the small but oil-rich Arab sultanates and emirates—the UAE, Qatar, Kuwait, Bahrain, and Oman. Riyadh's leadership in this organization is reflected in its elaboration of the general strategy for safeguarding the security of the countries making it up and in various types of mediating services: In April 1986 it aided in the settlement of a territorial conflict between Qatar and Bahrain, and in 1987 it settled an internal conflict in the UAE, when the shaykhs did not want to share power.

Finally, there is also the significant fact that Saudi Arabia, with its billions in petrodollars and grand economic development projects, represents a large trade market for the Americans, and American capital rushed into this market, especially after the beginning of the 1960's. The well-known American Bechtel firm, the board of directors of which includes former Reagan administration officials G. Shultz and C. Weinberger, is participating in the construction of a whole city, with an estimated cost of 50 billion dollars.<sup>5</sup> The U.S. Corps of Army Engineers has been quite active in the country and has been awarded contracts for 16 billion dollars. At the end of the 1960's it built a military academy (400 million dollars), a national guard headquarters (200 million dollars), and a military colony in Al Batina (3 billion dollars) and then worked on several other projects.<sup>6</sup> Extensive operations by American firms other than oil companies in Saudi Arabia continued throughout the 1970's and 1980's and only began to be reduced in the last 3-5 years after world oil prices declined dramatically. Saudi Arabia is also spending colossal sums on the purchase of American weapons and has become the principal buyer of these in the world. At the end of the 1970's and the beginning of the 1980's this country was buying 3 billion to 4 billion dollars' worth of arms from the United States each year—more than any U.S. ally. As a result, the United States has had a steady positive balance in trade with Saudi Arabia since 1983, and this has been particularly important to the United States in view of the chronic deficit in its overall trade (see table) [not reproduced]. Furthermore, Riyadh has repeatedly expressed its willingness to finance purchases of U.S. weapons by other Middle Eastern countries (for example, Egypt and Morocco).

#### Origins of Partnership

Saudi Arabia is one of the United States' oldest partners in the Middle East.

In 1927 the main capitalist powers which had been the victors in World War I completed the division of the former Ottoman Empire into spheres of influence. The French side submitted a map for their consideration, with a red line delineating the territory once occupied, in

France's opinion, by the empire. The English declared that the map was inaccurate but nevertheless accepted it. The United States followed their example. The heart of the Arabian peninsula, delineated in red, did not fall under English or French influence (the "red line agreement").

By that time the founder of the Saudi dynasty, Abdal Aziz Ibn Saud, had seized the land around what is now Riyadh (Nejd Province) and then Mecca (Hijaz) and declared himself the king of Nejd and Hijaz. In 1931 the United States officially recognized the kingdom, which began to be called Saudi Arabia the next year. An active search for oil was going on at that time on the Arabian peninsula. Local inhabitants and Bedouins were amazed by the bizarre and raving visitors who roamed the hot desert in search of a smelly black liquid and expressed infantile joy whenever they found it while paying little attention to something of genuine value—fresh water. Major Holmes of the New Zealand Army, who had won the king's confidence, was one of these visitors. The Arabs called him Abou-i-Naft, "father of the oil." He discovered the deposits of the black gold in Arabia that later made the country fabulously wealthy. A fight broke out between the English Iraq Petroleum and American Standard Oil of California companies for the right to exploit the deposits. The king asked for 50,000 pounds sterling in gold. The tightfisted English offered him 30,000 in currency, but the extravagant Californians presented him with the entire amount in gold 48 hours later. The king did not hesitate, especially since he had been afraid of England for a long time because he suspected that it was planning his overthrow and his replacement by Hashemite rulers, and because he felt some affection for the United States.<sup>7</sup> In 1933 an American-Saudi agreement was concluded on friendship, trade, and shipping and on most-favored-nation status. That same year the American Standard Oil of California and Texaco firms were awarded a concession for oil drilling and extraction in Saudi Arabia in a huge region measuring 360,000 square miles (1 mile = 1.6 kilometers).

It soon became obvious that Saudi deposits were even richer than anticipated, and the "red line agreement" gave England and France the right to veto the exploitation of deposits by American companies. This was the cause of extremely fierce battles between monopolies in the three countries, and the Americans had to make room for the others. Only World War II, the defeat of France, and the debilitation of England allowed the Americans to occupy a solid position in Saudi Arabia and effectively escape the binding agreement.

The first complication, which later became a permanent problem, in American-Saudi relations was the U.S. position on the Jewish question in Palestine, where confrontations between Arabs and Jews took place in 1936. Roosevelt spoke in support of the creation of a Jewish state, and this evoked the anger of the Saudis. In June 1937 Chairman James Moffatt of the Bahrain Petroleum

Company sent the State Department a special message, warning that "the support of Jewish claims could have a serious effect on American interests in Saudi Arabia."<sup>8</sup> The State Department simply thanked the businessman: Saudi oil was not considered to be vitally important to the American economy then.

In the first years of the war the United States paid no attention to the Saudis' entreaties for American assistance. The reason for this detachment was that Hitler was expected to invade the Middle East, and it would be better for the United States if he were to confront the English there.

As the success of Hitler's invasion of the Middle East became an increasingly real possibility, the United States resumed active relations with Saudi Arabia. In January 1943 the State Department asked E. Stettinius, the man in charge of the lend-lease program, to include Saudi Arabia among the countries receiving aid.

President Roosevelt's meeting with King Ibn Saud on board the U.S. Navy cruiser "Quincy" in February 1945 is thought of as the turning point in American-Saudi relations. In view of England's debilitated state, the Saudi royal court, frightened by the victories of the USSR, decided to rely completely on the United States, which was strong and had grown richer during the war years. It saw Washington as a power capable of protecting it from communism, internal cataclysms, and the threats of neighboring states (the Saudis were afraid that King Abdullah of Transjordan was planning the creation of a greater Syria, which would also include Iraq, Palestine, and Arabia). In general, a marriage of convenience was in the making: The accessible Saudi oil represented considerable benefit at a relatively low cost to the strong American economy, and the Saudis would acquire an influential patron.

Subsequent American-Saudi relations were contradictory. Periods of disapproval, dissatisfaction, and differences of opinion alternated with periods of amicability, more active cooperation, assurances of friendship, and mutual praise. To a considerable extent, this occurred because people in Washington began viewing American-Saudi relations in a broader context than in the pre-war and war years. On increasingly frequent occasions, Washington, which wanted to secure its strategic and economic interests to the maximum, had to walk a tightrope between Israel, which was becoming an important factor in the Middle Eastern situation, and the Arabs and Iran. As for Saudi Arabia, the United States wanted to get as much as possible from it (oil and military privileges) while giving it as little as possible in return. The Saudis were aware of the unreliability of American support but they still needed it, and when they saw that the United States was leaning more and more toward Israel, they also began walking a tightrope between Washington and the Arabs of the Islamic world and a fundamentally new development in the region—

the Arab national liberation movement, which flared up after the victory of the Egyptian revolution in 1952 under the leadership of Gamal Abd al-Nasir.

Virtually all American historians regard the agreements of 1950 and 1952 on the equal division of oil revenues (50-50) within the framework of the Arab-American Oil Company (Aramco) as an important event in American-Saudi relations. These agreements, as renowned expert on the Middle East W. Quandt pointed out, marked the beginning of Saudi Arabia's financial strength. Its income from oil was 56 million dollars in 1950 and 110 million in 1951, but by 1974 it was already 22.6 billion dollars.<sup>9</sup> The increase continued until the beginning of the 1980's. Riyadh's growing wealth made it more and more influential in international affairs.

The Saudi monarchs were always wary of the national liberation movement in the Middle East, which was accompanied by the collapse of archaic monarchic structures: The collapse in Egypt was followed by one in Iraq in 1958, in Yemen in 1962, and in Libya in 1969. In 1974 Emperor H. Selassie I of Ethiopia was overthrown, and the shah of Iran fell in 1979. The Saudis' relations with some of the former rulers had been troubled, but this was still a signal convincing the royal family that it needed protection, and primarily the protection of the United States.

Another event which strengthened the American-Saudi partnership was England's withdrawal from the region "east of Suez," which was announced in 1968 and was completed by 1971. Washington tried to take weakened England's place in the region as quickly as possible, and this decided the question of who might become the protector of the Saudi royal regime. In spite of this, the Saudis generally objected to a permanent American military presence within their territory and refused to accept the Eisenhower doctrine, envisaging "the protection of the Middle East from communism" in the event of a request for assistance. Riyadh believed that even if the United States should deploy around two of its divisions in the Middle East (the maximum permissible number acceptable to the region), this would not be enough to "counteract a possible Soviet invasion." At the same time, this contingent would be too large for the suppression of internal unrest. The presence of American troops in this quantity on the Arabian peninsula would represent a constant irritant to various anti-imperialist, nationalist, and popular-democratic forces, and these would constantly take advantage of this fact in their propaganda for anti-monarchic purposes. After the victory of the national democratic revolutions in Iraq and Syria and their establishment of friendly relations with the USSR, the Saudi idea was supplemented by the following postulate. If Riyadh should allow the use of military facilities by Americans, Damascus and Baghdad would counterbalance this with a substantial increase in the Soviet military presence in their countries.

Therefore, although Saudi Arabia felt the need to cooperate with the United States, it wanted this cooperation to be as inconspicuous as possible. The development of this cooperation, however, was also deterred by several other factors. For example, although Saudi Arabia did not oppose Israel directly, Israeli lobbies in the United States invariably included it in the overall Arab-Israeli balance and, on this basis, objected vehemently to any sizable shipments of American weapons to Riyadh in the belief that this could tip the balance of power in the region in the Arabs' favor. There were also restrictions on the Saudi side. After observing the role the military played in the popular democratic revolutions in the Middle East, the Saudi leaders were afraid, and possibly with good reason, of their own army, especially the more educated officers, and were therefore reluctant to provide the military with the most modern equipment. The ruling family relied on the National Guard, recruited on the basis of tribal affiliations, and deployed it in the cities, while army units were stationed far away from the cities and the political life in the cities. This continued until the 1970's, but then the situation began to change as a result of the country's growing economic strength and stronger claims to regional leadership.

The Arab-Israeli wars of 1967 and 1973, the American support of Tel Aviv, and Riyadh's disillusionment with America had an adverse effect on the relations between the two countries.

Later, two other factors, in our opinion, played a significant role in the U.S. approach to Saudi Arabia. The first was connected with the signing of the Camp David agreements by President Sadat of Egypt and Prime Minister Begin of Israel in 1978, which was followed by the Egyptian-Israeli peace treaty that changed the balance in the Middle Eastern conflict considerably by taking Egypt out of the military confrontation with Israel. This removed several restrictions on large shipments of American weapons to Egypt, and also to Saudi Arabia.

The second factor was the victory of the Islamic revolution in Iran, which had a tremendous effect on all U.S. Middle Eastern policy. Washington could no longer ignore its friends' requests for help. The Iranian revolution caused an outburst of U.S. militarist activity in the Middle East, and this activity is still going on today. The overthrow of the shah's regime in Iran also had a profound effect on the Saudis. They had feared the shah as a regional rival, but the fundamentalist regime of the Ayatollah Khomeini and his ideas about the export of Islamic revolution probably posed an even greater threat. Protection from Khomeini, who had vowed to internationalize Mecca and Medina, would require the most modern weaponry and American guarantees.

#### **Are Contradictions Growing More Pronounced?**

Whereas the period from 1981-1982, when the AWACS transaction took place, to the Israeli invasion of Lebanon might be described as the time when American-Saudi

relations reached their peak under Reagan, the current relationship could hardly be called warm. When the American troops were sent to Lebanon and the United States' military intervention in the Persian Gulf zone enraged Iran and gave it a chance to accuse the Saudis of forming an alliance with the United States, and when Washington refused to exert pressure on Israel to change its position on the Middle East conflict, Saudi Arabia was naturally disturbed.

In turn, Washington has recently been increasingly suspicious of the policies of its Arab partner. Saudi Arabia did not approve the creation of a network of American military bases in the region and even offered Oman financial compensation for the abrogation of its agreement on bases with the United States. Saudi Arabia's approach to relations with the United States has always been distinguished by the fact that the policies of its rulers have always been influenced most by concern for the stability of the throne. It was precisely with a view to these considerations that the Saudi regime repeatedly refused Washington's requests for support for some of its actions or even opposed American interests in the U.S. interpretation of the term. Besides this, it is a significant point that the Saudi regime has usually had a firm grasp of the nuances of the political situation in the Middle East. In 1955, for example, Riyadh condemned the pro-imperialist Baghdad Pact, a creation of the United States and England, and "neutralized" Egypt (the Saudis were particularly wary of Nasirism) by signing a pact with Egypt on mutual defense, which was then also signed by Syria.

All of these actions were interspersed with steps conforming to the general U.S. policy line in the Middle East. The Saudi leaders urged the Sadat regime to break off relations with the USSR and seek rapprochement with the United States, for example, but when Sadat concluded a peace treaty with Israel under U.S. auspices, they broke off all relations with Cairo in accordance with a decision of the Arab League (to Washington's dismay). After some Arab countries resumed relations with Egypt after the Amman summit conference in November 1987, however, Saudi Arabia was in no hurry to do this, preferring to wait for a more propitious time, but the president of Egypt was given an official reception in Saudi Arabia in January 1988. Saudi Arabia broke off diplomatic relations with Libya at the same time that the anti-Libyan campaign in the United States reached its peak.

Most of the Saudis still believe that the American military presence in the region is more likely to cause them to suffer political losses, while the emphasis on pan-Arabism and pan-Islamism can produce dividends. The Saudi leadership feels that contingents of Islamic troops would present a sounder basis for security than the American RDF (it can only be summoned in an emergency). To this end, around two divisions of Pakistani soldiers were deployed within the territory of Saudi Arabia, and in December 1987 they began to be replaced by Egyptians.

The Saud dynasty is clearly seeking new ways of safeguarding its security. "The United States helped Saudi Arabia acquire wealth and security," W. Quandt wrote, "but the wealth brought it problems: the danger of the destruction of the traditional structures of Saudi society, and security cannot be automatically guaranteed by an unspoken alliance with the United States."<sup>10</sup> It is in line with these allusions that Riyadh is now taking actions that sometimes arouse Washington's anger. When an Iraqi fighter plane sank the American frigate "Stark" with a missile in spring 1987, for example, Saudi aviation made no effort to intercept this plane, in spite of the urgent requests of the U.S. naval command.

This specific case was one of the main reasons for the U.S. Congress' refusal to approve the next shipment of American weapons to Saudi Arabia, including the latest F-15E fighters.

In general, as far as Saudi security is concerned, the United States has no competitors. For Riyadh, Washington is the force that can intervene in an emergency.

Nevertheless, the Saudi rulers have always displayed a high level of caution in regional affairs. This has helped them survive. People in Washington may have had ambivalent feelings about this, but they do appreciate Saudi Arabia's need to appear as pro-Arab as possible in some cases. This is what happened at the beginning of the 1980's, when some people in Riyadh began calling for a jihad—a holy war for Palestine (the Camp David agreement had been signed by that time, Saudi Arabia had played its role in bringing Egypt and the United States closer together, the bargain had aroused a great deal of anger in the Arab world, and it became simply too dangerous to continue adhering to a conservative position on this matter). This also happened in November 1988, when the National Council of Palestine made its announcement in Algeria regarding the creation of an independent Palestinian state in the Israeli-occupied territories with the simultaneous recognition of Security Council resolutions 242 and 338. Saudi Arabia was among the first to extend this recognition.

For some time the Americans have been disturbed by the possibility of relations between Riyadh and the USSR. The Saudi leaders, who have recently been dissatisfied with American policy in the Middle East, have expressed approval of the idea of maintaining a normal relationship with the Soviet Union, especially since the USSR was one of the first to recognize Saudi Arabia's independence. The Soviet Union is known to have maintained a fairly good level of cooperation in various fields with Kuwait, a member of the Gulf Cooperation Council, and three other members of this organization—the UAE, Oman, and Qatar—established diplomatic relations with the USSR in 1985. Washington has made an attempt to keep the Saudi leadership from taking this step by promising it deliveries of AWACS planes and new weapon shipments. Nevertheless, Soviet-Saudi relations are no longer at a standstill, and the Saudi leaders

received special representative of the Soviet leadership V. Polyakov in February 1988 and First Deputy Minister of Foreign Affairs Yu. Vorontsov in December 1988.

On the whole, it appears that Saudi Arabia is trying to lessen its dependence on the United States while simultaneously striving for a broader consensus with several large Western and Muslim countries and focusing public attention on its neutrality by opposing any foreign military presence in the Middle East.

#### **The Iran-Iraq War and American-Saudi Relations**

The Iran-Iraq war and "Trangate" had a perceptible effect on American-Saudi relations. The war itself, in which the United States and Saudi Arabia supported Iraq, and the scandal over the illegal shipments of American weapons to Iran, in which Saudi Arabia was indirectly involved along with the United States and Israel through the participation of arms merchant Adnan Khashoggi, illuminated new facets of the contradictory partnership.

The war, in which two strong anti-imperialist regimes were engaged in a fight to the death, rather than a fight for life, seemed convenient for the United States within specific, controllable limits. It diverted the attention of the Middle Eastern public from Israel's aggressive actions and the resolution of the Palestinian problem, intensified inter-Arab differences of opinion, and provided new opportunities for more active U.S. military presence in the Persian Gulf. Soon after the start of the war the United States sent Saudi Arabia four AWACS planes for round-the-clock surveillance of the theater of military operations; it also doubled its military personnel in Saudi Arabia in the very first week of the war.

After Washington's hope of using Iraq to overthrow the Khomeini regime in Iran and, in particular, to solve the American hostage problem in this way proved to be unjustified at the very beginning of the war, the United States began concentrating, according to the admission of the overwhelming majority of even American experts, on keeping both sides in the war from winning, so that the channels for the delivery of oil from the Persian Gulf could be kept open and, finally, so that the USSR's influence in the region would not grow stronger. To this end, Washington was already secretly shipping weapons to Iran in 1982, circumventing its own laws, and simultaneously developed a relationship with Iraq by restoring diplomatic relations with it in 1984, expanding trade with Iraq considerably, and supplying it with intelligence information, partly through Saudi Arabia. It was not until 1987 that the United States became more or less seriously involved in the attempts to put an end to this bloody and senseless war, although it retained its pro-Iraqi stance in general.

Saudi Arabia, in turn, saw Iran and Iraq as its main rivals in the struggle for regional leadership and as serious competitors in oil production. For this reason,

their fight to the death favored Saudi Arabia in a certain sense. Furthermore, the Saudi leadership had always been afraid of the Ayatollah Khomeini's revolution and his promise to eliminate all of the monarchies in the region. In addition to all of these considerations, there was the spirit of pan-Arabism, and Saudi Arabia was acting in this spirit when it became Iraq's main source of financial support in the war. This last fact was the cause of increasing resentment in Tehran, which began to virtually equate Riyadh with Washington.

There is probably no need to say how much Israel benefited from the continuation of the Iran-Iraq war. For a long time and with no success to speak of, Washington has been trying to effect a rapprochement between the Israelis and Saudis, using the most diverse methods, including the use of its NATO allies (in March 1985 the FRG made the delivery of Leopard tanks to Riyadh conditional upon Saudi Arabia's recognition of Israel). The Saudis and Israelis were supposed to cooperate in the operations involved in the secret shipments of weapons to Iran, according to the American side's plans, because this would allow the United States to revive the old idea of a "strategic consensus" between the conservative Arab regimes and Israel.

Public knowledge of the secret U.S. and Saudi talks, involving Israel and Iran, caused the sharp, although largely rhetorical, exacerbation of relations between Tehran and Washington and between Tehran and Riyadh. The United States, which had publicly called for an embargo on arms shipments to Iran while secretly concluding bargains with it, had to exonerate itself in the eyes of its closest allies in the Arab world. The same was true of Saudi Arabia. Its reputation as a firm and consistent supporter of Iraq was damaged. This reputation had to be repaired, and this turned out to be particularly difficult because Iran intensified its attacks on Riyadh, promising to sweep the "decayed royal regime allied with imperialism" off the face of the earth and to establish an Islamic republic in Saudi Arabia. The bloody events of 31 July 1987 in Mecca, when more than 400 people died in the rioting provoked by Iranian pilgrims, appeared to be an obvious attempt by the Iranian regime to shake the Saudi monarchy. The Saudis' initial harsh response to the Iranian side's actions later gave way to a more conciliatory attitude.

The cease-fire in the Iran-Iraq war brought the Saudi leadership face to face with many new questions. It is already clear that it hopes to normalize and develop relations with Tehran and to strengthen its levers of influence on Baghdad to some extent. Washington could hardly object to this.

American-Saudi relations, with their history spanning more than 50 years, clearly do not fit into the conventional framework of U.S. relations with developing countries. Saudi Arabia will continue to be the most important source of oil for the entire Western world in the foreseeable future and a country whose influence in the

Islamic world and colossal financial potential Washington will actively strive to use in its own interest. For the royal house of Saud, the unspoken alliance with the United States essentially represents a true guarantee of the preservation of the status quo, and this—rather than the centrifugal tendencies which occasionally make their appearance in American-Saudi relations—is the main thing.

#### Footnotes

1. S. Tillman, "The United States and the Middle East. Interests and Obstacles," Bloomington, 1982, p 51.
2. B. Grayson, "Saudi-American Relations," Washington, 1982, p 1.
3. Ibid.
4. M. Mottale, "The Arms Buildup in the Persian Gulf," New York-London, 1986, p 114.
5. J. Kwinty, "Endless Enemies. The Making of an Unfriendly World," New York, 1984, p 195.
6. THE NEW YORK TIMES, 26 September 1976.
7. Hamilton A. Tugendhat, "Oil: The Biggest Business," Moscow, 1978, p 139.
8. B. Grayson, Op. cit., p 7.
9. W. Quandt, "Saudi Arabia in the 1980's. Foreign Policy, Security and Oil," Washington, 1981, p 48.
10. Ibid., p 64. COPYRIGHT: Izdatelstvo "Nauka", "SSHA—ekonomika, politika, ideologiya", 1989

**Why Americans Are Better Workers Than Soviets**  
*18030008d Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 89 (signed to press 16 Jan 89) pp 50-57*

[Article by M.I. Lapitskiy: "Why Do They Work Better Than We Do?"; first paragraph is SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA introduction]

[The remarks by historian and sociologist M.I. Lapitskiy, a researcher of the American labor movement, deal with a vital and painful topic of particular concern to the public today. Of course, this essay does not offer complete answers as much as it asks questions. We intend to continue this discussion and we invite social scientists and the readers of the journal to take part in it.]

There is probably not a single reader who has not mulled over this question, just as there is probably not a single person who would assert the opposite—it is so obvious that they are better workers....

From childhood we were taught—and learned—the stereotypes we are having trouble surmounting today, during this period of the cleansing process of reassessing values and established beliefs. When we defend one of these stereotypes—the idea of capitalism as a profusion of vices—we forget about its strong points and the elementary facts of its superiority to feudalism. Every history teacher talks about this when he explains the natural sequence of transition from one structure to another to his students, but what conclusions do we draw from this?

When we view capitalism as a phase we went through long ago, assessing the capitalist stage of social development from a position of superiority, we rarely consider the facts that "capitalism in Russia did not have time to fulfill some of its most important historical functions" and that "we did not inherit its mechanisms of economic and social self-development and regulation as part of its contribution to our historical progression, and this might be one of the main reasons why several of our problems mysteriously remained at a standstill for decades."<sup>1</sup>

Above all, we must list the proper attitude toward labor as one of the "lessons we did not learn" from capitalism. By condemning and discarding the mechanism developed by the method of production to make the individual's standard of living directly dependent on the results of his labor (capitalism, on the other hand, kept perfecting this mechanism down to the smallest detail) and the interest in quality stemming from the strong (and even fierce) competition in the labor market, we discouraged people, although we certainly did not want to, from working conscientiously and skillfully and substituted phony slogans and appeals for genuine diligence and enthusiasm.

Yes, quite frankly, after the abolition of serfdom we did not have enough time to teach people to work well during the relatively short period of the development of capitalism in our country, and the rural community retained its early-feudal features. There was not enough time for the cultivation of either society's respect for the individual or the individual's sense of pride in the results of his work. Russia was always rich in "left-handers"—unique craftsmen—but bourgeois democratic traditions never took hold and could not develop the steady ability to perform excellent labor, self-reliance, and responsibility—individual responsibility, and not just group responsibility.

When M.Ye. Saltykov-Shchedrin compared "our" and "Western" practices in the essay "Abroad," he remarked that "they" had "one important advantage, namely the common realization that the individual should be treated as an individual." This realization "should be the source of all the intelligent and good things on which a sound social structure rests. It is only when this realization becomes an accomplished fact that moral tension is eased, human savagery is tamed, predators disappear, science and the arts flourish, and even 'wild' grain begins to grow."<sup>2</sup>

For Saltykov-Shchedrin, the moral foundation was the most basic and most important thing. It determined society's attitude toward labor and toward the human individual in general. "In any case," he went on to say, "the achievement of this realization should be the first and main goal of any society, and there is something wrong with a country where you are first told that you can express your opinions and wishes freely and then are watched carefully to see how you express them freely! Or where you are told that you can manage your own affairs from now on, and are then warned against doing this, and so forth. This society needs nothing other than a pledge that every one of its members without exception, from the youngest to the oldest, is ready to die at any time."<sup>3</sup>

Forced labor has proved on numerous occasions to be ineffective and incompatible with diligence. In the final analysis, capitalism triumphed because slavery and serfdom turned out to be ineffective. Authoritarian methods of controlling people caused our society to regress all the way back to pre-capitalist relationships. The recognition of "the individualism of the individual" the great writer spoke of is the road leading to diligent, conscientious, enterprising, and careful work.

We saw how the enthusiasm and hope of the first postwar years were replaced by a common lack of faith and loss of ideals. For many people, what belonged to the state essentially seemed to belong to no one. The declining prestige of labor had a tragic effect on society. The tag lines of the jokes our comedians told (such as: "I don't care where I work as long as I don't have to work," "People who don't work eat, and people who work drink," and "If vodka interferes with your work, stop working") did not emerge from a vacuum. The absence of incentives, the common practice of wage-leveling, and the low wages infected many with what journalist G. Lisichkin called the "money-grubbing syndrome," and this, as we clearly saw, did not promote diligent work.

In those recent years we rarely took an objective or discerning look at ourselves, did not associate our domestic problems with world problems, and built an impenetrable wall to separate us from the rest of the world. We flattered ourselves by praising everything in our world and by denouncing anything that happened in the capitalist world. Our ideology took it as a self-evident fact that any one of "our" people "stood head and shoulders above" any person from "there." This also applied to labor. In fact, however, the opposite was true.

Of course, the culture of labor is inseparable from the general culture level of a people and is closely related to it. It is also obvious that industriousness alone cannot build the kind of strong industry the United States has today. The almost total lack of feudal bonds, the existence of available arable land, the remoteness from the

scene of destructive European battles, the steady and strong flow of immigration, and other positive factors put the Americans on the cutting edge of scientific and technical progress.

Much is written in our country about the "American dream"—a specific belief in individual success. This belief took shape within the framework of the specific traditions of the individualist ideology and mentality that came into being during the development of capitalism in the United States. Even though this dream does not come true for many, it is still an alluring and appealing incentive, and it is a goal the individual will do everything within his power to attain. Yesterday's humble "little man" can be an independent landowner tomorrow, and yesterday's unskilled laborer can become a rich entrepreneur. Sociologists call this "upward mobility."

The traditional idea of "equal opportunities" in life has a tremendous effect on the ambitions of Americans and not only makes them more enterprising and prepares them for fierce competition but also promotes the development of efficiency, ingenuity, and initiative.

The development of these characteristics took more than a single generation. Laziness and uselessness have always been viewed by most Americans as almost the worst vices, while industriousness and diligence have been regarded as the main virtues. The American god is not only the dollar, but also labor, as the means of earning dollars and becoming a success.

The influence of the Protestant religion cannot be excluded from the most important factors instilling Americans with the desire to succeed and with a pragmatic view of life. An astute observer of this country of the last century, Alexis de Tocqueville, wrote that America's entire future was decided by the first Puritan who landed on these shores. The Protestants developed their own set of values and their own traditions, style, philosophy, and rhetoric. Simplicity to the point of asceticism, faith stemming from inner conviction, the view of life as a means of fulfilling moral obligations, and labor to accumulate savings and display conscientiousness were their virtues.

Protestant dogma condemned the idle poor and the acceptance of poverty, equating this with illness and resignation to fate. For the Protestants, genuine faith was less a matter of the zealous fulfillment of religious commitments to serve heaven as the conscientious fulfillment of one's own obligations on earth, consisting in the accumulation of earnings through tireless work. This, in their opinion, is how man can serve God best.... It is not surprising that Protestant immigrants in the United States were later called the "pioneers of skilled labor."

A tradition which becomes part of the individual's flesh and blood does not disappear. Anyone who has ever watched Americans at work has been impressed by their

efficiency, prudence, precision, and ability to use their time wisely, keep their promises, and stay on schedule. I would like to repeat Yu. Chernichenko's statement that "I am telling you the absolute truth when I say that there is nothing more interesting than the working man in the North American United States!"<sup>4</sup> I think anyone who has been in the United States would agree with this.

In fact, it is not even necessary to travel across the ocean. It should be enough to simply spend some time with American scholars in our country. The author of this article has been amazed several times by the diligence of the scholars who come to our country on professional assignments and who make good use of any free time (between conferences, symposiums, meetings, and tours) to do their work. Some collect information for their next article or book and sometimes bring extremely heavy books across the ocean in their suitcases (although we would think they could wait and do it when they go back home), and others prepare the lectures they will present in universities when they return from the Soviet Union, and they never waste their time, even if they have only come for a week! Furthermore, after taking an active part in conferences and numerous other undertakings and then doing their own work in hotel rooms and lobbies after these meetings and during the intervals between them, they never seem to be suffering from fatigue but always look healthy and alert.

But so what if adult scholars can do this! Some American schoolchildren who were visiting the Soviet Union were recently interviewed on Moscow radio. They were asked, among other questions, what they were doing in their free time. The answer came as something of a surprise. A girl replied that they were studying for tests. But they also know how to play.

The culture of labor is not something permanent and unchanging. It needs constant stimulation. Any respite inevitably weakens labor skills and traditions. To some extent, this happened in the United States, and it affected the quality of American goods. This became a national problem of major concern.

Until recently, quality was rarely among the top priorities of American companies. In the postwar period the demand for goods and services in the United States was so high that the American consumer was satisfied even with things that were not of the best quality. In this connection, the president of the American Business Association, former Secretary of Commerce Alexander Trowbridge, said: "We (i.e., businessmen—M.L.) were guided to a certain extent by the philosophy of planned obsolescence. In this world quality is of minor importance. This eventually hurt us."<sup>5</sup> After all, if an item sells well and if fashion dictates the frequent replacement of old items with new ones, why should anyone try to make an item last longer?

In our day, after quality became the main factor in competition, FORTUNE magazine undertook some calculations, unfamiliar to the United States, to determine which American goods could be regarded as the best on the world market (in the past it would have been easier to count the number of branches in which the United States was not the leader). "The brightest pages in the catalogue of the best American goods," the magazine remarked, "should be devoted to agricultural equipment, the products of the aerospace industry, computers, and pharmaceuticals."<sup>6</sup> The United States is the world leader in these fields, and many goods are considered to be the best models in terms of technological ingenuity, quality, and craftsmanship. The manufacturers of these items are making a product that meets or even exceeds world criteria of excellence, and they maintain these standards from year to year. The best goods marked "Made in the USA"—computers and accessories, biotechnological medicines, pacemakers, drilling equipment, pianos, and many others—are designed, as businessmen have remarked, not to meet the specifications and satisfy the requirements of consumers but to exceed their expectations.

In the past, when American manufacturers had essentially no competition, they could set the tone in the world arena. Today, the Americans who have to compete with Japanese and West European companies have to operate under different conditions, assigning priority to what is known as the "human factor."

There was a time when people were regarded as a "production factor" and were managed in the same way as machines or capital. This approach is ineffective today, however, and this is recognized by the many company executives who believe that whereas a standard set of procedures can be used in the management of capital and equipment, people require a special, individual approach. They should be managed only as individuals. These executives believe that when a firm encourages the display of individuality, it motivates each worker to do better work.<sup>7</sup>

In the most advanced firms the interest in the maximum satisfaction of consumer needs is combined with respect for the firm's own personnel, a democratic style of management, confidence in the abilities of blue- and white-collar workers, and efforts to facilitate their labor and to inspire them to reach higher levels. American researchers R. Peters and R. Waterman call all of this "individually engendered productivity."<sup>8</sup>

The efficient management of a company also envisages some other components, particularly a policy of focusing on the consumer, independence and ingenuity, relevance, guidance based on values, commitment, simplicity, a modest managerial staff, and a combination of freedom and strict control.

The rules of the Dana company are typical of this category of firms—all employees have access to data on enterprise operations; they have the right to professional training and opportunities for growth and advancement; bonuses are used to reward good work. Some American companies have much in common with Japanese firms in this style of management; with their high labor standards, the Americans are capable of successfully borrowing experience and working according to Japanese methods.

Address people as adults; treat them as partners; respect their dignity; pay attention to them; regard them, and not capital investment, as the main source of industrial growth—these are the indicative rules of the best companies. Researchers have pointed out the fact that companies which do well also treat people with dignity. The lesson to address people "as adults," as E. Jay, author of "Management and Macchiavelli," says, was learned long ago: "One of the reasons why the Roman Empire acquired such huge dimensions and existed for such a long time (an outstanding feat of management) was that there were no railroads, automobiles, planes, radios, paper, or telephones. For this reason, you could never have the illusion of direct control over the pro-consul or provincial vice-regent; you could never consider phoning him or having him phone you if the situation became intolerable, just as you could never entertain the thought of flying to the site of chaos and putting things back in order. This is why the possibility of appointing an individual who might not be prepared or completely suitable for the position never even arose. You knew that everything depended on choosing the best candidate. Consequently, you made the choice with great care; what is more important, you made certain that he knew everything about Rome, about the Roman system of administration, and about the Roman army, and that he knew it now, before he left."<sup>9</sup>

The logo of RMI (a subsidiary of U.S. Steel and National Distilleries) and of many other companies is a smiling face, and it can be seen on office memos, over the plant gates, in company advertisements, and on the workers' protective headgear. "Smiling as much as possible, shaking as many hands as possible, knowing everyone and calling everyone by name"—this is a well-known feature of the American political and business establishment. In enterprise and plant subdivisions this is an excellent way of stimulating enthusiastic labor.

Chief Executive Director Daniel of this company, known as "Big Jim," spends all of his time with the workers: He jokes with them, knows every one of the 2,000, and listens closely to whatever the union has to say. The chairman of the union local conferred the highest praise on him: "He invites us to his conferences and tells us what is going on, and this never happens in other companies."

Of course, it is not that Big Jim is a great friend of the workers; his interest in human relations is far from

altruistic. It is based on the conviction that this approach will increase company profits. We must admit, however, that human relations in production are much better than "inhuman" ones.

In a sociological survey of 20 Hewlett-Packard executives, 18 said that the firm's success was due to its philosophy of concentrating on the individual. Here is how the approach was described by one of the founders of the firm, B. Hewlett: "In general, it seems to me that this is a strategy and action stemming from the belief that men and women want to work well and creatively and that this is how they will work if they are provided with the proper conditions. This is consistent with the tradition of treating each individual with understanding, respect, and recognition for his personal achievements.... Bearing this in mind, we got rid of our time-clocks years ago, and we recently introduced a flexible work schedule. This is another expression of trust in people and it also gives them a chance to adapt their work schedule to the needs of their private life.... I could cite other examples, but the fact is that no one example can reveal the essence of the approach in itself.... You cannot describe it with numbers or statistics. In the final analysis, this is a feeling or a point of view."<sup>10</sup>

Respect for the individual is closely related to higher demands on each individual at these enterprises, but it is indicative that these relations are based less on managers' instructions to subordinates than on demands made by people of equal status, cultivated in the soil of trust, openness, the availability of information, and the simplicity of communication. It is possible that some American authors might idealize the situation at these enterprises, but many specific examples from their experience appear quite convincing.

Above all, there are all of the different types of incentives, and these are not only financial rewards, because questions of morale also play an important part. In the lobby of the IBM financial center in New York, there are none of the "honor rolls" that are so common in our firms, but there is a showcase with photographs of all of the office personnel and a poster: "Everything Depends on People." In this connection, V. Magun made the accurate observation that it does not depend on "the best people" or on "honest people," but precisely on each and every person working in an office, factory, or any other enterprise.

American business periodicals contain statements like "Count on the individual, and not on new equipment." These remarks have sometimes been interpreted in our country as meaningless phrases or idle chatter aimed at covering the face of American capitalism with the mask of "false humanism." In its race for superprofits, however, American business is relying heavily on the selfless and ingenious labor of workers and employees, inviting

them to take part in production management (on a modest scale, of course), and creating the impression and sense of their direct involvement in the affairs of "their company."

Some corporate executives have recently experimented with worker participation in management. The so-called "programs to improve the quality of life on the job" are among these experiments.

At a General Motors plant in Pontiac (Michigan), for example, all of the workers who took part in producing the Pontiac Fiero model were divided into 125 teams, each of which was responsible for the production of a single component; within these work crews, the workers take charge of the distribution of functions, work procedures, product quality, and the state of equipment, and this has almost completely eliminated the need for inspectors and time-keepers.

The American press calls the American-Japanese automobile enterprise in Fremont (California), owned by the General Motors and Toyota companies, the "greatest experiment in labor relations." The 2,500 workers are also divided into teams (of from five to seven people); each team member is trained at company expense to do all of the jobs in his section. At this enterprise narrow specialization has given way to broad specialization, and workers are categorized according to only three skill levels.

Although people today are much less likely to talk about the hard-working American than about, for example, the Japanese, the Americans' attitude toward work could serve as an example for many.

The fact that many Americans are not only doing better work today but are also working more than before is connected largely with the exacerbation of the unemployment problem in the 1980's and the threat of losing jobs. According to TIME magazine, employees regularly say they would prefer longer hours and higher incomes to more leisure and less pay.<sup>11</sup>

The 40-hour work week has been the norm in American industry since 1940—in accordance with the Fair Labor Standards Act. Today, however, surveys conducted by the Department of Labor testify that more than two-thirds of all those who now work a 40-hour week are satisfied with it; fewer than one out of ten workers would prefer to have more free time and a lower income, but approximately one out of every four would like a longer work day and higher wages.

When American workers were faced by unemployment and serious economic difficulties, they had to make a choice between a longer work week or a lower salary. They chose what they regarded as the lesser evil. Economist J. Zalusky from the leading labor organization, the AFL-CIO, commented on the workers' reaction to this necessary choice: "When faced by decreased health-care

coverage or a cut in their wages, most workers would rather give up a paid holiday." This is an important feature and it sheds light on the Americans' work styles. TIME magazine believes that this does not reflect "an excess of Calvinistic virtue," although many Americans "believe that work makes a man or woman a better person."<sup>12</sup>

I think the words of Chairman J. Stewart of the Gold Kist agricultural corporation, quoted by Yu. Chernichenko, provide some idea of the Americans' scale of priorities: "First, I want to be healthy. Second, I want—call it wealth!—to have more money and things, material goods—property. Third, it makes me happy when I can throw myself into my work. In the evening I like to have a drink, smoke a cigar, and have a pretty woman put her arms around me—I need this to relax, but work is my greatest pleasure."<sup>13</sup>

Employers and managers are not the only ones who feel this way. TIME cites another example. A 54-year-old man named John Hardison and known as "Johnny Crane" is a familiar sight on high-rise construction sites. He arrives on the site at 5:15 in the morning (the magazine even adds this detail: In the last 9 years, he has been late only once, by 10 minutes) to check over the tower crane that he operates. Then he spends up to 16 hours a day in a 3-ft by 4-ft (1 square meter) cage 63 meters above the ground, moving concrete and shifting heavy equipment. He does not leave the cage even to take a lunch break. He makes a good salary, but he says, as the magazine reports, that what gives him the greatest pleasure about his job is that he can "drive around Washington and point to the buildings he built."

If the magazine did not embellish its account of the "model worker" and if this is not an isolated case and such workers are fairly common, then we can assume that it is not just dollars that "keep the American worker warm"....

A television viewer asked our international correspondents why so many countries have an abundance of goods and we do not. The terse reply of IZVESTIYA political correspondent A. Bovin was: "Because we do not work as well."

If we want to work better, we must study our own experience and our own achievements as well as the achievements of others. Professional attitudes, craftsmanship, and the efficient organization of work—everything positive that was raised in American soil can and must be employed on a new basis in our country.

#### Footnotes

1. I. Ariyevich, "Unlearned Lessons," NOVOYE VREMENYE, 1988, No 39, p 24.

2. N. Shchedrin (M.Ye. Saltykov), "Izbrannyye proizvedeniya v semi tomakh" [Selected Works in Seven Volumes], vol 5, Moscow, 1948, p 145.

3. Ibid., pp 145-146.

4. Yu. Chernichenko, "The Working American (Chapters from the Book)," DRUZHBA NARODOV, 1986, No 1, p 193.

5. FORTUNE, 28 March 1988, p 48.

6. Ibid.

7. R. Waterman, "The Renewal Factor. How the Best Get and Keep the Competitive Edge," New York, 1987.

8. T. Peters and R. Waterman, "In Search of Excellence," Moscow, 1986. The author uses the most eloquent examples from this book below. For the lessons the Americans can teach us in this field, see the interesting articles by Candidate of Psychological Sciences V. Magun (ZNANIYE—SILA, 1988, Nos 3, 5). Many of the problems examined by Peters and Waterman are also discussed in R. Foster's study "Innovation: The Attackers' Advantage" (Moscow, 1987).

9. T. Peters and R. Waterman, Op. cit., p 346.

10. Ibid., p 307.

11. TIME, 7 September 1987, pp 28-29.

12. Ibid., p 29.

13. DRUZHBA NARODOV, 1986, No 1, p 188. COPYRIGHT: Izdatelstvo "Nauka", "SShA—ekonomika, politika, ideologiya", 1989

**U.S. 'Undeclared War' in Nicaragua Chronicled**  
*18030008e Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 89 (signed to press 16 Jan 89) pp 58-63*

[Article by Ye.V. Mityayeva]

[Text] At the end of last summer the Senate of the U.S. Congress approved a bill on new aid to the Nicaraguan contras after heated debates. This plan envisages the allocation of 27 million dollars in non-military aid to the counterrevolutionary groups. Under certain conditions, they can also receive weapons worth 16.3 million dollars, the granting of which was "frozen" earlier by Congress.

From the very beginning of his presidency, Ronald Reagan took an intransigent position on Sandinista Nicaragua. It was precisely here that the U.S. President intended to "put up a fight against communism" and prevent "changes in the regional balance" objectionable to Washington. Besides this, the President hoped to show the Americans, who had grown disillusioned with

foreign ventures after Vietnam, that the use of American strength was still an effective and productive way of attaining political goals. Reagan administration ideologists were convinced that all of the problems of Central America could be solved if Cuba could be forced to "stop destabilizing the region" and if Nicaragua's "subversive activity" could be suppressed. The struggle against the "communist threat," personified by the Sandinista government in Nicaragua, was fought with the most diverse weapons: economic, political, and propagandistic.

The United States successfully used its power to exert pressure on such international financial institutions as the World Bank and the Inter-American Development Bank in order to deprive Nicaragua of credit, and in 1985 it imposed an embargo on trade with Nicaragua. The main element of the administration's tactics, however, was the military aggression exercised by counterrevolutionary gangs made up of hirelings of the overthrown Somoza dictatorship who had been driven out of the country by the revolution.

These fragmented groups did not pose a serious threat in themselves. For the first year and a half of their existence, the contras were able only to start minor skirmishes and drive away livestock. There was a qualitative change in the situation in 1982, when the CIA began supplying them with weapons and helping them unite in larger military units.

In 1981 the first 19 million dollars for covert operations against Nicaragua were allocated, contra commanders began to be trained in the United States, and American troop maneuvers were held in Honduras to establish an infrastructure for the anti-Nicaraguan gangs. These actions can be regarded as the start of the "contra war."

Another 30 million dollars in covert aid was extended soon afterward, and in December 1983 Congress allocated the contras 24 million dollars in federal funds. Within the framework of military assistance the contras were supplied with anti-aircraft weapons, rifles, machine-guns, mortars, missiles, and aircraft. Furthermore, this assistance did not include the CIA's expenditures on the support of its agents, the ships from which acts of sabotage were committed against Nicaraguan ports, reconnaissance flights, and radio interception. In the opinion of THE WASHINGTON POST, these expenditures came to at least 400 million dollars a year. The official aid to the contras also does not include expenditures on the almost continuous U.S. troop maneuvers in Honduras near the Nicaraguan border.

The counterrevolutionary leaders, U.S. Government spokesmen, and official American propaganda always tried to deny the connection between the opponents of the Sandinistas and the supporters of Somoza. They made an equally vigorous effort to remove the brand of CIA mercenaries from the contras, but they did not succeed. The anti-patriotic nature of the counterrevolutionary gangs and the fact that they were being supported

by Washington immediately came to light. In 1985, according to data collected by a group of U.S. congressmen, 46 of the 48 commanding military positions in contra organizations were occupied by former national guardsmen. If we can believe the contras' own assurances that their forces number almost 20,000 (i.e., several times the number of Sandinistas it took to overthrow Somoza), and in view of the fact that they have been armed to the teeth by the United States, we can only be amazed at their failure to win a single significant military victory in the last 7 years of warfare. They have also been unable to win the support of the population, even in the rural regions where the inhabitants are wary of the Sandinista government. This clearly shows that they have no reason to call themselves "rebels" and that only the money of the United States has made their existence possible. The press has also reported the extension of CIA funds to the counterrevolutionaries (the lion's share of these funds is absorbed by the Nicaraguan Democratic Forces (NDF), the main armed contra group). According to the data of the PHILADELPHIA INQUIRER, for example, members of the NDF leadership receive 1,200 dollars, officials of the general staff of E. Bermudez (formerly a high-level official in Somoza's National Guard) receive 2,000 dollars each, and senior officers, commanders of large units, and rank-and-file members receive 1,000, 750, and 400 dollars a month respectively. Everyone knows, THE WASHINGTON POST remarked on 4 March 1986, that "we bought and paid for" the anti-Sandinista movement and "it would disappear without us." In 1983, after the White House had seen how ineffective the contra operations were, it decided to step up the pressure of U.S. forces. Nicaraguan ports were first attacked and then mined in 1984 by CIA agents. This was the same time that the CIA's role in composing the leadership for the war in Nicaragua came to light. In particular, it had advised the elimination of members of the Sandinista party and the creation of "martyrs for a just cause" by killing people on the contras' side and then portraying them as "victims of Sandinista terror." The indignation these actions aroused inside and outside the United States and the anger the legislators felt when they learned that the CIA had taken these steps without their knowledge motivated Congress to prohibit federal aid to the contras and military cooperation with them (the Boland amendment).

The U.S. Congress' treatment of Nicaragua, however, was always contradictory and inconsistent. Although Congress frequently opposed the organization of broad-scale military operations, many legislators supported the idea of exerting pressure on the Sandinistas and spoke of the "moral obligation not to abandon the contras." In 1985 Congress again approved the financing of mercenary gangs with an allocation of 27 million dollars, but stipulated that the funds should be used only for "humane assistance."

Even in the years when Washington did not give the contras any money through official channels, they were not devoid of American support: They were financed by

rightwing extremist organizations like the World Anti-Communist League, the Civic Assistance Fund, and others. The administration was frequently behind this "private funding of the war" with the aid of rightwing extremist organizations. In violation of Congress' ban, for example, weapons were delivered to the contras from the American Ilopango military base (in El Salvador).

The involvement of Reagan administration officials in the delivery of supplies to the Nicaraguan counterrevolutionaries was revealed after a cargo plane carrying weapons was shot down over Nicaragua on 5 October 1986. According to a crew member, U.S. citizen E. Hasenfus, the flight had been arranged by the CIA. Marine Lt Col O. North, an NSC staffer, served as the liaison between the administration and the contras, advising the rebels on military matters and putting them in touch with "private" donors.

Finally, the clearest evidence of the Reagan administration's willingness to do anything at all—even in violation of U.S. laws—to maintain the anti-Sandinista gangs was the "Iran-contra" affair, which provided them with 12 million dollars, and mainly through the efforts of the same Lt Col North.

In all, according to American sources, the United States extended more than 200 million dollars just in official aid to contra gangs during the 7 years of undeclared war. At the same time and in a direct relationship to Washington's anti-Nicaraguan policy line, American allies in Central America have received more than 6 billion dollars in military and economic aid since 1980. And although the first years of the war proved that the contras were incapable of winning a military victory over the Sandinista army even with the active support of the United States, the Reagan administration continued to support and finance them. Many observers believe that this was the start of a campaign for the long-range exhaustion of Sandinista Nicaragua and its destabilization and subversion through the creation of unbearable conditions of existence. Washington strategists obviously expected the creation of economic chaos and the constant threat of attack by armed gangs to demoralize the population and paralyze the Sandinista government.

The need to mobilize all forces to repulse foreign aggression did have a pernicious effect on the state of the Nicaraguan economy. At the end of 1987 the government had to declare a "state of food emergency." The rate of inflation was 1,500 percent that same year. The main reason for Nicaragua's pitiful state is the debilitating effects of the war. The country has to spend more than half of its budget on defense; 20 percent of the economically active population is cut off from peaceful labor by the need to defend the state. For each dollar of foreign aid extended to Nicaragua, the United States allocates 4.22 dollars for aggressive acts against it. The undeclared war has already killed 50,000 Nicaraguans and has caused economic losses estimated at over 3.6 billion dollars.

Many people—in Nicaragua, in the United States, and in the contra camp—regard 1986 as the decisive year in the conflict. The Sandinista leadership believed it had achieved a strategically important retreat by the counterrevolutionaries, but the Reagan administration launched an intense campaign for the allocation of new sums of money and for the congressional approval of programs of military aid to the contras.

The legislators again allowed themselves, just as they had countless times in the past, to be convinced of the “need” for military pressure on the Sandinistas and voted for new aid to the contras in June 1986. As Reagan’s associates admitted, the important thing was not the amount allocated (100 million dollars, including 70 million for military purposes), but the far-reaching consequences of congressional approval of the financing of the gangs fighting the war against Nicaragua. This gave the CIA a free hand, and it immediately, according to a report in NEWSWEEK, made preparations for covert aid in the amount of around 400 million dollars (including deliveries of equipment, training, intelligence, and communication systems).

Nevertheless, even the most optimistic predictions by administration officials mentioned a military victory even on part of the territory of Nicaragua only in extremely cautious terms. If this does happen, they said, it will be a good thing, but as F. Ikle said when he was under secretary of defense for policy, what is more important is the “dynamics of the contra forces, whether they grow or lose people, whether they knock on the door to enter or leave.”

Assistant Secretary of State for Inter-American Affairs E. Abrams admitted that the number of contra personnel decreased at the beginning of 1986 “because of problems in supply,” but he then asserted that he “knew” 25,000 Nicaraguans who could not wait to join the rebels and only needed to be armed.

The CIA, which has been establishing a civilian contra leadership since 1982, stepped up the unification of separate and frequently inimical gangs in larger groups, choosing leaders meeting its own specifications—preferably from among non-military activists with no direct ties to the Somoza dictatorship. Since June 1985, the “cover organization” has been the United Nicaraguan Opposition (UNO), headed by a triumvirate: A. Calero, the former director of a Coca-Cola subsidiary in Nicaragua, A. Robelo, and A. Cruz, both of whom cooperated with the Sandinista government during the initial period after the fall of Somoza.

In 1986 the struggle for power among contra groups and leaders grew more intense. The U.S. State Department tried to keep the internal squabbles from becoming public knowledge, and E. Abrams played an active role

in settling disagreements within the contra ranks. In spite of his efforts, the UNO disintegrated, and largely because of the hatred and mistrust its leaders felt for one another.

The counterrevolutionaries reorganized in the middle of 1987 and called themselves the “Nicaraguan Resistance.” The Resistance was headed by a directorate of six: A. Sanchez, a conservative extremist from a land-owning family who had been closely tied to Somoza and was one of the founders of the UNO; A. Calero, A. Robelo, and A. Cesar, who had previously worked for the Sandinista government; journalist P.J. Chamorro, the son of the LA PRENSA editor who had been killed by Somoza’s men; and M.A. Ferrei, one of the leaders of the legal opposition Social Christian Party.

A variety of contra groups, many of which were hostile toward one another, united in this organization on orders from the United States and put themselves completely under U.S. control from the very beginning, because their existence was made possible only by funds from Washington. Extremely fierce disagreements flared up frequently between various detachments of the Nicaraguan Resistance and between its leaders. In April 1988, 13 commanders of combat units opposed E. Bermudez, the military leader of the counterrevolutionaries, accusing him of dictatorial methods of leadership and the misuse of funds. The directorate split into two opposing wings. As a result of their struggle, P.J. Chamorro and M.A. Ferrei were expelled from the directorate in July 1988, and E. Bermudez became a new member of the directorate. This strengthened the position of the most belligerent contra groups but it also caused the leaders of the “southern front,” who had accused Bermudez of appropriating most of the funds received from the United States, to announce their withdrawal from the Nicaraguan Resistance.

Throughout the 1980’s the Latin Americans themselves made several attempts to negotiate a settlement of the conflicts in Central America. The Government of Nicaragua issued several appeals to its neighbors and the United States to normalize the situation with a view to the security interests of all sides, but there was no sympathetic response from Washington. The Contadora Group’s years of efforts to negotiate the terms of a peace agreement in Central America were unproductive primarily because of U.S. resistance. In 1987 the Central American region’s desire for peace was embodied in a new plan, proposed by President Arias of Costa Rica in February and approved by the Central American countries in August in Guatemala. The Guatemala agreement, which was signed by Costa Rica, Nicaragua, Guatemala, Honduras, and El Salvador, envisages a cease-fire, amnesty, and the guarantee of political freedom, freedom of the press, and civil rights. Nicaragua’s neighbors pledged not to support the contras, and Managua pledged not to assist partisans operating within their territory, to cancel the state of emergency, and to

begin the democratization of life in the country.<sup>1</sup> The Central American countries asked Washington to stop financing and arming the contras.

As the author of the Arias plan admitted, the Sandinista government of Nicaragua had to make serious concessions for the peace plan to work. Nevertheless, the Sandinistas are adhering to a policy of national reconciliation and are doing everything within their power to regulate the situation within their country and in Central America as a whole.

By the time the presidents of the five Central American countries met in January 1988 to discuss the progress in the implementation of the Guatemala agreement, the state of emergency had been terminated in Nicaragua and many opposition radio stations and press organs had been allowed to resume operations. In March 1988 government spokesmen began direct talks with "irregular forces" (first in the small town of Sapoa and then in Managua) on the terms of a cease-fire. It was not long before agreements were reached on the cease-fire and on the five zones of contra concentration up to the conclusion of the final agreement.

The Sandinistas announced a general amnesty (applying even to former Somozists), and 100 people were immediately released. All opponents of the Sandinistas could return to Nicaragua and become active in politics.

After the first signs of the success of the peace plan for Central America were evident, the Reagan administration dropped even the pretense of support. "It is the Sandinistas," NEWSWEEK magazine reported, "that seem to want to give peace a chance." Washington, on the other hand, did not want to give up the armed struggle. President Reagan frankly said that he was "personally committed" to the contra cause.

In March 1988, not long before the scheduled date of the first round of cease-fire talks between the Sandinistas and the contras, Washington undertook something that was unanimously interpreted as an attempt to sabotage the meeting and create an excuse to demand new military aid to the contras from Congress. The White House loudly announced that "Nicaraguan forces had invaded Honduras" for the purpose of destroying anti-Sandinista groups within the territory of that country. The Honduran Government first denied the report but then obediently repeated Washington's lies. Although the invading Nicaraguan troops could not be found, U.S. troops were ostentatiously sent to Honduras "to support an ally" and administration officials began accusing and threatening the Nicaraguan Government.

The U.S. press testified that the Reagan administration responded with disapproval and "amazement" to the news that the counterrevolutionary leaders had agreed to negotiate with the Sandinistas. At first Washington tried

to prevent the negotiation and conclusion of an agreement and then began portraying their aid to the rebel gangs as a guarantee of the Sandinistas' fulfillment of commitments in the event of an agreement.

Constantly "consulting" with Washington (but actually receiving instructions from it), the contras created all kinds of delays in the talks and put them on the verge of collapse by issuing such demands as the abolition of compulsory service in the Sandinista Army.

On the whole, Reagan's policy in Central America in the last year of his presidency produced results of no benefit whatsoever to the United States. The contras dropped the pretense of being able to defeat the legal government of Nicaragua and "asked for peace"; during elections in El Salvador the people rejected N. Duarte, who had received 3 billion dollars in aid from the United States in recent years; in Panama Washington exerted maximum pressure but could not unseat General Noriega. In all of these cases the United States turned out to have no other alternatives and no other allies for the attainment of its goals, as U.S. NEWS AND WORLD REPORT admitted.

Nevertheless, the Reagan administration did not remove the question of military aid to the contras from the agenda even in his last days in office. President-elect George Bush announced his intention to adhere to the same line in the future: to solicit new military appropriations for the anti-Sandinista gangs.

Therefore, Washington is still escalating tension in Central America and preventing the establishment of peace in this region.

#### Footnotes

1. See Yu.V. Romantsov, "Washington and the Guatemala Peace Agreement," SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, 1988, No 4—Ed. COPYRIGHT: Izdatelstvo "Nauka", "SShA—ekonomika, politika, ideologiya", 1989

#### Role of 'People's Diplomacy' in Improving USSR's Image in U.S.

18030008f Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 89 (signed to press 16 Jan 89) pp 63-67

[Article by A.I. Shaskolskiy: "What Are the Prospects for People's Diplomacy?"]

[Text] The American-Soviet "March for Peace" through the United States in summer 1988, organized by International Peace Marches (United States) and the Soviet Committee for the Defense of Peace, was an unprecedented act of people's diplomacy. This was the first time so many Soviet citizens (220) from all of the union republics were able to take part in a social event in the United States. Along with members of the American

peace movement they spent 32 days traveling the east coast on foot and by bus (from Washington to Baltimore to Philadelphia), speeding through Appalachia, Pittsburgh, and Indianapolis on their way to Mississippi, walking through endless cornfields in the intense heat of the midwest, blazing a trail through the farmlands of Iowa, and then flying to California and "ending their march at the Pacific Ocean," with the road between Los Angeles and San Francisco representing the last leg of their journey. We had been to 8 states and 30 cities; according to some estimates, we marchers had met a hundred thousand Americans, who had walked with us part of the way or had visited our campgrounds, attended our concerts, taken part in municipal festivities honoring us or in our peace rallies, whether in the small town of Moscow in Iowa or on Capitol Hill in Washington, and made us feel welcome in their churches, homes, business offices, universities, community organizations, clubs, hospitals, and family farms. Local newspapers, radio, and television announced "the Russians are coming!" and wished us the best.

This march had its own pre-history. In summer 1987 the first such march was held from Leningrad to Moscow. Many of the participants (including the author of this article) also participated in the march described later in the article. Finally, the latest (but not the last, we hope) such march, from Odessa to Kiev, took place in August and September 1988. Were we present at the birth of a fine tradition?

What do I, as an average participant in a quick march through America, remember about the country? The warm smiles of the Americans I met and their sincere kindness and hospitality? The incredible cleanliness of family farms or the sparkling windows of skyscrapers? The bacchanalian abundance of food in the supermarkets and the combination of well-fed prosperity and harsh poverty? The fireworks of electronic ingenuity and the magical realism of the unbridled fantasy of Disneyland? The unexpected breadth of the cultural interests of the average American? The pervasive advertising and legendary love of automobiles? The fascination with the technological achievements that are so much a part of their daily life and are increasingly likely to influence "their morals"? Yes, there was all of this, plus a thousand other impressions, a veritable Niagara Falls of memories.

America never ceases to amaze us. We are used to reading, for instance, about the average American's indifference to culture. Proceeding from this postulate, what size audience in Philadelphia could be predicted for a screening of "Alexander Nevsky," a Soviet film of the late 1930's, followed by a concert of the music from the film performed by the local symphonic orchestra, conducted by E. Temirkanov? It would probably be difficult for any of our aesthetic Cassandras to imagine an audience of from 5,000 to 6,000.... And how many countries might have been visited by farmer Lester Corriel from Iowa, a man who is not a typical homebody

but who does grow corn, oats, soybeans, and herbs on his 400 acres (160 hectares) and also has 2 bulls, 50 cows, 50 calves, and 500 pigs? Twenty-six countries. Is this a high number or a low one? Speaking of livestock, what about the 100 pigs farmer Richard Young tends with a single worker (plus the same corn and soybeans in the quantity needed on the farm)? Is this a high number or a low one? After all, another of the farmers we met was able to raise—with the help of his brother—3,000 pigs....

What is the best way of cultivating an interest in and tolerance of other nationalities—slogans about the inviolable friendship of peoples on the walls of a public reading room or restaurants serving the national cuisine of seven countries, which I counted when I stood on a corner in Georgetown in Washington? Obviously, I am not saying that more slogans mean fewer restaurants (or vice versa). I will not pretend that the availability of imported beer from 50 countries convinces the American of the interdependence and indivisibility of the modern world—the average American is not capable of this kind of shrewd philosophizing—but there is no question that this is visual evidence in favor of the system of free enterprise. Another unique form of visual evidence and a convincing argument in favor of working as hard as possible, sometimes for up to 60 hours a week, is the frequency with which the American sees the poor and homeless—a wretched alternative to a successful career.

The first meeting with the country and with the people who live in the memories of several generations as an "ideological bad example" turns many tenacious beliefs upside-down, even for professional scholars of U.S. affairs. An abundance of details makes up the unusual image of the country; the pressure of what a person sees once crushes much of what he has heard seven times and has read countless times. The overloading of the mind with obsolete and mainly negative information explains the phenomenon of non-recognition. The individual and collective discovery of America since the days of Columbus has usually been a repetition of the classic situation: People expect to find India but discover a completely different country....

The enemy image is the product of the work of generations of political scientists on both sides of the Iron Curtain (the opacity of which permitted quite arbitrary portrayals of the other side as insidious, perfidious, and inhumane). One of the Americans who spoke in Des Moines evoked friendly laughter when he told of how he had watched a Soviet television program in Moscow about life in the United States several years before and had then wondered why he should go back to such a terrible country.

The ease with which the "cold war" stereotypes are vanishing is amazing. The dynamic shift from extreme hatred to affection in American attitudes toward the PRC was followed by something similar in feelings about our country. Whereas many of the Soviet participants in

the march were ready to marvel at the Americans' success in the production of goods and services, few were prepared for the massive outpouring of goodwill we encountered in America. All of the marchers have fond memories of the Americans who waited patiently in long lines to invite the Russians to have dinner and spend the night in their homes. This kind interest was connected, according to many Americans, with the new image the USSR acquired as a result of perestroika and glasnost and as a result of M.S. Gorbachev's trip to the United States. All of this did much to weaken the mythology of the "evil empire." One of the main goals of people's diplomacy is to demystify the image of the planetary neighbor. An American proverb—"The best way of getting rid of an enemy is to make friends with him"—exemplifies the belief of the entire movement.

I must say that the improvement of the USSR's image in the American public mind as a result of our democratization and perestroika cannot be an infinite process. After all, at the very least, there are objective limits to the growth of this kind of affection, but it is completely obvious that various forms of people's diplomacy (and the peace marches are indisputably among them) can promote strong feelings of friendship on both sides of the once erected but now rusty "iron curtain." The "people's diplomat" is an animate audio-visual unit of information about the "world on the other side"; more graphic evidence of friendship is inconceivable! This applies in particular to our ability to influence American attitudes toward the USSR, because the Soviet people are the most competitive argument in favor of "American-Soviet reconciliation." Furthermore, the personality of the individual representing the Soviet people to observant Americans is certainly of special importance.

#### Some self-criticism is in order here.

The motives of the Americans and Soviets who joined the peace march seemed absolutely incomparable to me at times. The former were frequently motivated by a literally fervent devotion to peacemaking and were committed to the point of self-sacrifice for the sake of the survival of humanity and for the sake of fraternization with the Soviet people; many had participated in the exhausting 9-month "Great Peace March" in 1986 and had been arrested for anti-war acts. Their lack of pragmatism and pretension and their renunciation of the comforts of life so that they could "work for peace" were striking.

The Soviet participants, on the other hand, were mainly chosen by local committees for the defense of peace, and many of the people they delegated were uncommitted and unsuited for this kind of responsible work. They thought of the peace march as an unexpected diversion, a tour of America offering incredible commercial advantages. The delays in surmounting the formalism and red tape in our official peace movement are part of the reason for the procedure used in choosing participants

for such undertakings, but it is still difficult to understand, for example, why there were only 15 workers among the 220 members of the Soviet group, or why neither the financial strain of peacemaking nor sustained active work in the peace movement could be among the fundamental conditions for the selection of participants. Why were there none of the people who had proved their commitment to this sacred cause by making several sizable donations to the peace fund or by staying on peace patrols in all kinds of weather? The obvious need for glasnost and democratic procedures and the impermissibility of confidential selections of candidates for this kind of responsible work (why not on a competitive basis?) will evidently necessitate the open discussion of the criteria for the nomination of people's diplomats. I think the time has come to decentralize and deformatize the peace movement in our country so that new, "informal" forms of public peacemaking efforts will have a chance to develop freely and openly and will make the movement more sincere, more direct, and less officious. I am not saying that we should catch up with the United States in terms of the number of peace organizations and groups (there are 11,000 there), but maybe the Soviet Committee for the Defense of Peace should step up the collaboration with individual initiative, improvised public efforts, and the vital creativity of the masses in this area.

To date, the common ways of displaying our love of peace have been lunch-hour rallies at plants, with the unanimous adoption of resolutions, the distribution of insipid posters, and the semi-voluntary transfer of money to the Soviet Peace Fund. It is clear that this kind of state-controlled struggle for peace could only exist in our society, and it seems strange to the members of genuinely democratic peace movements in the West. The reason for our current peace marches, rock concerts for peace, peace cruises, and other borrowed methods of demonstrating our love of peace, is our hope of somehow replenishing this arsenal, but, after all, we are still "demonstrating" on orders from above, and we are doing it as "representatives," and not as individuals. Even in our own country, we marched with the Americans at the expense of the Soviet Committee for the Defense of Peace, and we got the dollars for our trip across the ocean from the same source.... What do the people have to do with this? Do we have any basis at all for people's diplomacy—in the sense of the term as it is used by peace organizations abroad? How can we find our own forms of this activity? Our people's peacemaking potential and love of peace are truly fantastic and they only need the proper forms of expression. After all, lively and effective education in the spirit of peace is an essential part of the establishment of the new thinking!

People's diplomacy is an effective form of "civil defense" against the militarization of foreign policy. It is a democratic search for ways of creating non-military guarantees of international security and cooperation. It goes without saying that the reinforcement of people's

diplomacy will not diminish the importance of traditional diplomacy, but as Chairman G.A. Borovik of the Soviet Committee for the Defense of Peace observed in PRAVDA (18 October 1988), this social movement could stimulate the search for solutions to urgent problems in peacemaking, suggest new avenues, and promote the spread of the new thinking.

The Soviet-American peace marches—one of the most successful forms of people's diplomacy—need improvement and further development. This will necessitate an objective analysis of past experience. Failures are just as evident as successes. Both were already apparent at the time of the first joint march from Leningrad to Moscow in summer 1987. They were revealed even more clearly by the march through the United States, and they reached their height during the walk from Odessa to Kiev last August and September, judging by many of the stories told by participants on both sides.

Our counterparts from the United States were stupefied by the progressive regimentation of the marches in the USSR, their undemocratic organization, their falseness, and their conventionalism, which were particularly pronounced during the march in the Ukraine.

This is not simply a matter of the "hand of Moscow": According to our American friends, the local officials they met in the Ukraine were amazingly insincere. The clumsy attempts at the "brainwashing" of the not completely unsuspecting Americans upset them even more than the restrictions—something to which they are particularly sensitive—of their freedom of communication and movement. The only thing that won their unanimous approval was the new experiment in allowing them to stay in private homes, where the kindness, congeniality, and sincerity of our people were revealed in their entirety. In all other respects, according to veterans of the Soviet-American marches, the last march was a colossal step backward in the development of this form of people's diplomacy. In fact, it was such a dramatic regression that most of the leaders of the International Peace Marches organization in the United States withdrew from the organization because they did not want to work with the Soviet Committee for the Defense of Peace. The future of the peace marches, which seemed so bright last summer, now arouses anxiety. It would be a great pity if this form of joint peacemaking by the American and Soviet people, which seemed so promising at first, should fall victim to the bureaucratic game-playing that is hurting the cause of mutual understanding and the convergence of planetary neighbors who are fated to live or die together.

No, the author is not questioning the ability of the Soviet Committee for the Defense of Peace to represent our people, to express the common views of our people, or to conduct semi-official meetings.... Apparently, however, this is no longer enough. We must reach much higher. I still cannot say that the Soviet Committee for the Defense of Peace can serve as the leader of peaceful

forces in our country, a leader respected equally by the public on both sides of the ocean. There are no grounds for optimism, and when I speak of "people's diplomacy" as part of the political culture of our people, I have to enclose the term in quotation marks, to my great regret. **COPYRIGHT:** Izdatelstvo "Nauka", "SShA—ekonomika, politika, ideologiya", 1989

#### **Canadian Election Results Assessed**

18030008g Moscow SShA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 89 (signed to press 16 Jan 89) pp 67-73

[Article by S.Yu. Danilov: "Canada: Conservatives' Mandate Is Renewed"]

[Text] Since the beginning of this decade the national elections in the United States and Canada have been synchronized to some extent: They have been held a few months apart in the same calendar year. This year the interval was shortened to 2 weeks: The federal elections in Canada were held on 21 November. The similarity of the elections in the two North American countries, which are neighbors and allies, was not confined to chronological proximity but was also reflected in the election results. Right-of-center political forces remained in power in the United States and in Canada.

The elections of 21 November did not introduce any significant changes into the alignment of forces competing in the federal political arena in Canada. The ruling Progressive Conservative Party, which won 43 percent of the vote as compared to 50 percent in 1984, retained 169 of the 211 seats it won 4 years ago in the House of Commons of the Federal Parliament. The official opposition party, the Liberal Party, which won the votes of 32 percent of the Canadians who went to the polls, now has 83 mandates (40 in 1984). The New Democratic Party was supported by 20 percent of the voters, and its candidates won in 43 districts instead of 30.<sup>1</sup> The Conservatives retained the parliamentary majority, and their leader Brian Mulroney formed a government for the second time.

There is no question that the economic cycle gave the Conservative Party a lucky break: After all, its victory in 1984 almost coincided with the start of a period of economic prosperity which followed the lengthy period of economic disorder from the middle of the 1970's through the first half of the 1980's and which is still going on today. For more than 4 years the Canadian GNP increased steadily at a rate exceeding the indicators of the majority of OECD countries, and, what was particularly important as far as the general public was concerned, the pressure of unemployment began to be alleviated when the rate declined from 11.3 percent of the labor force in September 1984 to 7.9 percent in November 1988. The rate of inflation, which was still an urgent problem in the first half of the decade, declined and stabilized at 4 percent a year. Gold and currency

reserves grew so much that Canada surpassed its southern neighbor in this respect. The economic boom was probably the main reason for the popularity of the Mulroney government during most of his term in office.

The period of economic prosperity and the cuts in government spending allowed the Conservative cabinet to reduce the huge federal budget deficit from 38 billion dollars to 28 billion. In this way, the Mulroney government became the first Canadian government in around 20 years to stop the tendency toward budget deficit growth. The Canadian dollar also grew stronger while the Conservatives were in charge. Whereas in 1986 the exchange rate fell to the record low of only 69 American cents, it later rose to 83 cents for the first time in around 10 years.

The Conservative government gradually and consistently pursued its policy of the partial denationalization of the public sector and the limitation of government regulation of market processes. It sold several government corporations to private capital, for example, and gradually rescinded almost all of the sections of the National Energy Program that had aroused the objections of international and Canadian business, and this met with the approval of bourgeois public opinion. This policy did not encounter any organized opposition by progressive groups, which had also been influenced by the anti-statist campaign the rightwing forces had been conducting for many years, frightening the population with the negative implications of the bureaucratization of public affairs.

The Mulroney government earned considerable political capital from the strategy of "national reconciliation," presupposing concessions to the peripheral provincial governments and the Canadian and international business groups backing them. Expanding on the policy line mapped out earlier by another Conservative cabinet, that of J. Clark (1979-1980), Mulroney acknowledged the priority rights of the majority of coastal provinces—British Columbia, Newfoundland, and Nova Scotia—to off-shore oil and gas resources. Besides this, he concluded an agreement with three western provinces—British Columbia, Alberta, and Saskatchewan—on the maintenance of domestic oil and gas prices at the level of the mid- 1980's in spite of the decline of world market prices. These agreements, covering half of the Canadian provinces, marked the beginning of Ottawa's departure from the hard centralist line of the Liberal government and brought about a definite relaxation of tension in federal-provincial relations.

The crowning glory of the strategy of "national reconciliation" was the agreement the federal government concluded in Meech Lake in Canada in 1987 with all 10 provinces. It was a new step toward change in the balance of power between the central and provincial governments in favor of the latter and it also marked the conclusion of the constitutional reform of 1980-1982. In exchange for French-speaking Quebec's recognition of

the country's new basic law, the Conservative government made important concessions to the entire provincial level of government: It agreed with the principle of the provincial veto in possible future revisions of constitutional articles and promised that senators and members of the Supreme Court of Canada would be appointed only with the consent of provincial governments. The Meech Lake Agreement helped the Conservatives strengthen their base of support in Quebec, which was the only province not to recognize the constitutional reform for 5 years.

There was also a perceptible relaxation of tension in Canadian-American relations while the Conservatives were in office. The Mulroney government's initiatives in this sphere and its persistent efforts to alleviate friction and disagreements with the United States were commended by influential continentalist forces in the business world and the mass media and by the pro-American segment of the Canadian public. Although Mulroney's meetings with Reagan did not produce an immediate return in the form of compromises on the most vital aspects of the partnership of the North American neighbors—fishing, acid rain, etc.—they restored the atmosphere of the "special relationship", i.e., the close Canadian-American cooperation in the economy and at the highest level of government of earlier days, when conflicts were the exception rather than the rule. In view of the United States' increasing importance in Canadian foreign economic relations, the Conservative government's actions did much to consolidate its base of support.

Nevertheless, the Conservatives encountered serious political problems during the period between elections, and these sometimes made the renewal of the Mulroney government's mandate doubtful.

During the 4 years as a whole, many of the Conservative Party's objectives and many of the prime minister's promises were radically altered, and some effectively turned into their opposites. The country's economic recovery relieved the Mulroney government of the need to keep the most popular campaign promise regarding the broad-scale stimulation of employment and assigned top priority to something completely different in domestic policy—cuts in government spending for the sake of financial recovery. The reduction of equalizing payments to provinces, the savings in aid to foreign states, the temporary limitation of the growth of military allocations, and the cautious attempts to economize on the program of business subsidies did not, however, secure any perceptible improvement in the budget. When the Conservatives tried to cut basic social expenditures, beginning with pensions, they went against their own categorical assurances regarding the inviolability of social programs and aroused so much public protest that they had to give up these attempts. In 1986 the government had to break another campaign promise and resort to the augmentation of government revenues through

selective increases in indirect taxes, and then in direct taxes. This eased the struggle against the deficit, but it evoked a negative response from the majority of taxpayers.

Mulroney's cabinet launched a tax reform in 1987 to increase federal treasury revenues. The government eliminated some of the privileges of high-paid Canadians but also changed the tax rates so that they benefited big and middle business. The reform was applauded by much of the business community but was criticized by the laboring public and by most of the members of petty bourgeois strata.

Mulroney, who had experience in settling labor disputes as an attorney and then as the president of the Iron Ore corporation, initially planned to establish a system of legally secured cooperation by the federal government and the trade unions, and this plan evoked a positive response from the moderate reformist leaders of the Canadian Labour Congress (CLC). The Conservative government called off the plans, however, after the CLC rejected the terms of cooperation in 1985 because it saw them as an attempt to limit the autonomy of the labor movement. The CLC began to openly oppose the Tories' basic domestic and foreign policy aims, and this accelerated the cessation of government support by part of the laboring public. An important role in this turn of events was played by the Conservative Party's close ties to the rightwing bourgeois groups resisting cooperation with organized labor.

The government initiated and widely publicized numerous conferences and consultations with delegates from almost all of the mass public organizations and groups in the country in 1984 and 1985, but they predictably turned out to be protracted and unproductive, causing people to accuse the ruling party of passivity and to say that it had no opinions of its own on the country's problems and the ways of alleviating them. After this the Conservatives did not make any more such attempts.

Therefore, the Conservative government's actions were frequently not complete or consistent enough. This created the impression that many of the Conservatives' promises and initiatives were poorly planned and were dictated by the needs of the moment and aimed only at the retention of authority.

To a certain extent, the Conservatives' position was also weakened by conflicts within the cabinet and by the criminal behavior of party officials. Many members of Mulroney's cabinet were dismissed or asked to resign between 1985 and 1988, and this was usually the result of scandalous exposures that sometimes ended up in the courts. They included prominent party rightwing officials E. Nielsen and S. Stevens, and some men who helped Mulroney become the leader of the party, M.

Cote and B. Roy. Not long before the elections one of the few bourgeois reformist party officials also left the cabinet—former Mayor of Toronto D. Crombie, a popular politician in Ontario.

Changes on the provincial level in the second half of the 1980's were disadvantageous for the Conservatives. Whereas there were eight Conservative cabinets and not one Liberal Party government in the provinces when Mulroney took office, the Liberals later won the elections in the two largest provinces—Ontario and Quebec—and then in New Brunswick and Prince Edward Island soon afterward. The federal Conservatives paid the price of major concessions in Meech Lake, however, to achieve a mutual understanding with Premier Bourassa of Quebec, who is also one of Mulroney's old friends. The alliance with Quebec and the western provinces completely balanced the effects of the loss of the earlier Conservative government in Ontario, which had been such a valuable ally of the federal Conservatives.

The dramatic reversals in international affairs in the 1980's and the peace initiatives of the USSR and the non-aligned states gave the Canadians an unprecedented interest in foreign and military policy issues and made them more receptive to constructive proposals and actions in these spheres. It must be said that the Mulroney government took a realistic stand on some issues—nuclear disarmament in Europe and the elimination of intermediate- and shorter-range missiles and of chemical and biological weapons—and upheld the positive foreign policy traditions of P. Trudeau's Liberal government. It also considered the cancellation of the commitment Canada had assumed under the Liberal government to participate in the defense of northern Norway. Most of the Conservatives' actions in the politico-military sphere, however, won approval and support only in a limited sector of bourgeois public opinion and did not impress the majority of Canadians, including the pacifist segment of the bourgeoisie.

The Mulroney cabinet began modernizing the early warning system in the Arctic, consented to the continuation of cruise missile tests in Alberta, and allowed Canadian businessmen to take part in SDI-related scientific and economic projects. The Canadian public objected vehemently to the Conservatives' intention to equip the Canadian Navy with submarines with atomic engines when these plans were made public in the White Paper on Defense in 1987.

The Canadian-American free-trade pact the Conservative government and the U.S. Republican administration signed in January 1988 became the subject of even broader and more intense political debates in the country.<sup>2</sup> Although Mulroney had categorically opposed the plans for free trade with the United States just a few years earlier, when he was elected party leader, his government not only initiated the agreement but also made free trade the cornerstone of its campaign platform.

The fights over the free-trade pact, which broke out in 1986 and 1987 and reached their height during the campaign, turned the 1988 elections into something like a referendum on Canada's future and were accompanied by extraordinarily pronounced differences between various sociopolitical forces in the country. As the initiators of the agreement, the Conservatives were supported by the overwhelming majority of big and middle capital, especially businessmen connected with the extractive industry, finance, and trade. The opponents of free trade formed a broad coalition, made up of the organized working class, the majority of the intelligentsia, and part of the petty and middle national bourgeoisie employed in the processing industry and agriculture. Many public organizations (religious, ecological, and farmers' associations), communists, the NDP [New Democratic Party], and many federal Liberals joined the coalition.

The opposition was able to influence public attitudes temporarily: The opponents of the pact, who had represented around 20 percent of the Canadians in the middle of the 1980's, constituted at least 40 percent of the voters by November 1988. Around 2 million brochures and posters were distributed to advise people not to vote for the free-trade party—the Conservatives. The Ontario and Manitoba legislatures passed special resolutions condemning the pact, and the federal Liberals, who controlled the majority in the Senate, blocked the passage of the free-trade bill through Parliament.

To a considerable extent, as a result of the heated arguments about free trade and its possible consequences, the authority of the Conservatives throughout 1988 was on a level at which the ruling party could only hope to retain a relative majority in the House of Commons. This allowed opposition groups the hope that the two parties opposing free trade—the Liberals and the NDP—might win a combined majority of the deputy seats and isolate the Conservatives from power.

The Conservative leadership, however, had the right to schedule the date for the elections and was able to regain the initiative. It started campaigning immediately after the latest draft budget had been published in October 1988 to take advantage of the favorable economic conditions. Resting on these objective facts, which represented quite an advantage for the government, the Conservative Party skillfully instilled in the voter's mind the image of the Mulroney government as the force responsible for economic prosperity and for the elimination of unnecessary friction in federal-provincial and Canadian-American relations. The federal Conservatives relied on the assistance of seven provincial premiers; this cooperation was particularly noticeable in Quebec, where Mulroney was supported by the Bourassa cabinet and also by the opposition Parti Quebecois. The Alliance for Free Trade and Employment, which had been established by big business, distributed 10 million copies of propaganda literature associating the free-trade pact with the growing effectiveness of the Canadian economy and with future prosperity, and its rejection with the loss of 2 million

jobs and with a lower standard of living. Finally, the Conservatives made full use of Mulroney's winning qualities as an appealing politician who is fluent in both of the official languages of Canada and who looks good on television. In terms of popularity, the ruling party was ahead of the Liberals and was far ahead of the NDP, which had enjoyed a decisive lead in public opinion polls just a year earlier.

In spite of all this, the Conservatives had to use all of their strength and resources in the campaign. Despite their advantages, the opposition seemed to be winning at times. The Conservatives were defeated in the televised debates between the three parties on 24 and 25 October. The winner was Liberal leader J. Turner, who was effectively supported by NDP leader E. Broadbent. The Liberal Party was unable, however, to consolidate this minor tactical victory. Its authority was undermined by the internal squabbles Turner was never able to quell after the utter defeat the Liberals suffered in 1984. Obviously, the unification of almost all big capital around the Conservatives also played a part. Mulroney's party was quite secure in the financial sense, whereas the Liberal Party, which had moved far to the left in the last few years, was the target of a financial blockade by the business community, and this limited its ability to influence voters. For these reasons, the federal Liberals, who once had a well-organized and smoothly functioning party machine and were famed for their unity, conducted a fairly disorganized campaign, resorting frequently to improvisation and resembling, as the GLOBE AND MAIL put it, "something like a circus, and not one of the most professional ones."

The Conservative Party was also aided by the intervention of two prominent Western political leaders in the Canadian elections. In the last days of the campaign R. Reagan and M. Thatcher publicly asked the Canadians to support the free-trade pact. Their statements, which were condemned by patriotic organizations as a form of pressure on Canadian voters, nevertheless influenced the mood of the undecided voters in favor of the supporters of free trade and close cooperation with the United States and NATO.

The election results indicate the considerable reinforcement of the federal Conservatives' mass base. For the first time since 1917 they won two elections in a row with an absolute majority of seats in the House of Commons. The party suffered moderate losses but retained the support of most of the people who had voted for it in 1984: high- and middle-income citizens and the French-Canadians. It is true that the party did not win a victory in all parts of the country as it did 4 years earlier. The earlier success was repeated only in French-speaking Quebec, where the Conservatives even increased their lead over the Liberals. The party leadership succeeded in its efforts to retain the "Quebec fortress" by appointing ministers from Quebec to important positions and by giving this province confidential advantages in the distribution of federal grants and profitable contracts. The

party won by only a slight majority in Ontario, however, and lost to the Liberals in the Atlantic provinces and to the New Democrats in British Columbia. For the first time in many years the Conservatives lost rural voters, and this was a result of some farmers' negative feelings about the free-trade pact.

The Liberal Party more than doubled its parliamentary faction, which had been severely diminished in 1984, and partially restored its influence in English-speaking Canada. It retained the official opposition status the NDP had tried to achieve, but the Liberals were unable to deprive the Conservative Party of its parliamentary majority, which would have immediately improved the Liberals' chances of returning to the top. They were unable to stop the consolidation of the Conservatives' influence in large urban centers—Montreal, Toronto, and Ottawa. All of these facts and, in particular, the party's second major defeat in a row in Quebec, which was once the stronghold of the federal Liberals, are strengthening the position of the groups within the party insisting on a new Liberal leader.

The New Democratic Party failed in its persistent attempts to put an end to the monopoly of the two old parties in Quebec, which is keeping the NDP from gaining a reputation as a national party and from becoming the official opposition party. Once again, just as before, all of the NDP candidates were defeated in Quebec districts, although some of them lost by only a slight majority this time. The party did, however, win some tactical victories. The New Democrats broke through the two-party front on the other side of the country, in Alberta, a province known for its conservative political climate, where an NDP candidate won the election for the first time. The New Democrats suffered definite losses in Ontario but consolidated their position in western Canada, especially in British Columbia, winning the support of the voters who had abandoned the Conservatives. Candidates of the NDP defeated two members of the Conservative cabinet—Minister of Communications F. MacDonald and Minister of Justice R. Hnatyshyn. In all, the New Democrats won more deputy seats than the Canadian social democrats have ever had on the federal level since 1935.

The two federal parties representing the center-left alternative to the conservative policy line and opposing free trade won a combined 52 percent of the votes of the Canadians who went to the polls, but they received less than half of the seats in the House of Commons because of the majority electoral system. In this way, the election results paved the way for the passage of the free-trade pact through Parliament and established the necessary conditions for the continuation of the socioeconomic policy mapped out by the Canadian Conservatives in the middle of the 1980's.

#### Footnotes

1. The creation of 13 additional electoral districts brought the total number of seats in the House of Commons up from 282 to 295.

2. For more detail, see SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, 1988, No. 10, pp. 51-60, 78-81—Ed. COPYRIGHT: Izdatelstvo "Nauka", "SSHA—ekonomika, politika, ideologiya", 1989

#### Palme Commission Member Interviewed on New Report

*18030008h Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 89 (signed to press 16 Jan 89) pp 74-77*

[Interview with Anders Ferm, Swedish ambassador to Denmark, former Swedish ambassador to United Nations, and member of Palme Commission; first paragraph is SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA introduction]

[Text] Prominent Swedish politician Anders Ferm, who represented his country in the United Nations for many years and is now the Swedish ambassador to Denmark, was the guest of the Institute of U.S. and Canadian Studies of the USSR Academy of Sciences at the end of 1988. He is one of the organizers and members of the Independent Commission on Disarmament and Security Issues, commonly known as the Palme Commission.

[Interviewer] Mr. Ferm, is your present visit to the USSR connected with the commission's work?

[Ferm] I came to the Soviet Union to discuss the commission's current work and to present a lecture on Olof Palme. I would also like to learn more about the present situation in the USSR, because what happens in your country influences the entire world, including Sweden.

We are completing the work of the Palme Commission. The main reason is that its chairman has passed away. The man who established the commission and gave it his name is no longer with us. When Olof Palme was assassinated in 1986, we decided to continue the meetings on schedule and to publish a final report in the middle of 1989 and then dissolve the commission.

Another reason is the improvement in the international situation. When the commission was established in 1980, there was no East-West dialogue, and even the suggestion of this kind of dialogue offended some people. The possibility of limited nuclear war was even being discussed.

It was in this atmosphere that O. Palme wanted to establish a forum for the discussion of security issues on a multilateral basis. The members of the commission included representatives of the Soviet Union—Academician G.A. Arbatov and Professor M. Milstejn—and of the United States—former Secretary of State C. Vance and Ambassador J. Leonard. Other members were influential politicians from other countries—for example, D. Owen from Great Britain, E. Barr from the FRG, G.

Brundtland from Norway, British Commonwealth Secretary General S. Ramphal from Guyana, and other representatives of the Third World. All of them worked on the commission in the capacity of private citizens. Palme himself was the leader of the opposition at that time. This allowed him to express his opinions freely and with an eye to the future.

[Interviewer] You would probably agree that the commission report published in 1982<sup>1</sup> could be called the forerunner of the new thinking in international affairs.

[Ferm] The report seems to have become more important with the passage of time. Its true value and relevance were not apparent at first. We wrote in the report, for example, that a nuclear war could not be won and that it could not be an instrument of rational diplomacy. Today this is the main principle on which the improvement of relations is based, but in those days it sounded revolutionary. We called our idea "common security," meaning that in the nuclear age our own security could only be guaranteed in common with the adversary. As long as your adversary feels vulnerable, he thinks he is being threatened and takes steps to neutralize the threat. This always creates an atmosphere of mistrust and mutual threats. The striving for military supremacy is futile. You must allow your adversary to have the same level of security you want for yourself. I am pleased to see that approximately the same kind of thinking is now an established part of East-West relations.

Besides this, we discussed regional crises and the economic and development problems of the Third World and advocated a truly global view of security, a comprehensive approach including economic and social measures for its safeguarding.

Sooner or later we will have to return to the only effective global instrument we have. I am referring to the United Nations. The commission advocated a stronger role for the Security Council and secretary general. We also suggested what we referred to as a "political concordat," a political agreement between the permanent members of the Security Council and the Third World on collective UN actions, such as the dispatch of military observers to conflict zones, fact-finding missions, and UN forces. We also proposed a mechanism to finance UN peacekeeping operations, because they are quite expensive. You know how unpleasant it is to talk about money, and there are many people who have excellent ideas about what has to be done in the world, but the people who can suggest excellent ways of financing these ideas are much fewer in number. We recommended a UN resolution on additional contributions by members for the creation of reserve fund for collective actions in the security sphere, including peacekeeping operations. I think it is time to make use of these ideas in some way today.

[Interviewer] What kind of problems will the commission's final report discuss?

[Ferm] First of all, it seems to me that we should return to our original proposals and see if they have to be changed or reinforced. Besides this, there are three problems that must be discussed. The first is the nuclear arms race and East-West relations. We view the current talks with optimism, but there is one aspect warranting closer attention. This is the risk of nuclear proliferation. There are countries which could obtain the technology for the production of nuclear weapons and ballistic missiles. The appearance of just one new member of the "nuclear club" would effectively lift the ban. I am horrified by the thought of this. After all, an adversary of this state would then feel the need to acquire nuclear weapons. This would be an extremely dangerous situation.

[Interviewer] How do you feel it could be prevented?

[Ferm] If the great powers conclude an agreement on the substantial reduction of their arsenals, this will create political and moral pressure in favor of the reinforcement of the Treaty on the Non-Proliferation of Nuclear Weapons. Besides this, this is connected with another problem—the nuclear test ban. I think this ban would prove that the world is seriously striving to curb the qualitative nuclear arms race. A comprehensive test ban would require a mechanism for the verification of the weakest blasts. This mechanism could also be used to observe events outside the nuclear powers. Therefore, these two measures could create strong momentum against proliferation. I want to stress that a comprehensive test ban is the main step in any political strategy to eliminate the nuclear threat.

[Interviewer] Now there are at least two political obstacles to this ban. The first is the position of the United States, which is not willing to give up the tests as long as nuclear weapons exist. The second is that the talks on the limitation and cessation of tests are being conducted only by the USSR and the United States. The other nuclear powers have stayed out of them. How realistic is a total ban in this situation?

[Ferm] Well, what can I say? There have been even more unexpected surprises in world history. The 1963 treaty banning tests in the three spheres was concluded quite quickly. This could happen again. The Palme Commission studied this problem and published a report. We arrived at the conclusion that technical difficulties and verification are not an obstacle, and the argument that explosions are necessary for the testing of existing weapons is not convincing. We also considered the question of procedures: Should the talks concern a comprehensive test ban or the sequential limitation of tests? The commission agreed with the idea of sequential limitation—the reduction of yield and the number of tests—if it is understood from the very beginning that this will lead to the total cessation of tests. The sequential approach could provide momentum and improve the chances for a comprehensive ban on the condition that it is not used as a pretext to evade this goal. The rest of the nuclear

powers should become involved in the process at a specific stage. Sweden and some other countries proposed the commencement of the necessary talks within the framework of the Conference on Disarmament in Geneva, but this turned out to be impossible.

[Interviewer] What are the other two problems that must be discussed in the report?

[Ferm] The second problem is chemical weapons. A ban is being negotiated, but the basis for this ban is eroding. A group of UN experts who went to the Middle East concluded that chemical weapons had been used there, and if their use does not evoke a stern political reaction, this will create the impression that the international community is not seriously striving for their prohibition. We must react sternly and conclude the talks on the total ban on chemical weapons quickly.

The third problem is the new role of the United Nations. We must use the opportunity provided by the improvement of East-West relations and expand the role of the United Nations in international security, peacekeeping, technical and economic assistance, and refugee relief. Besides this, there are new global problems that countries cannot solve on their own—for example, environmental pollution, drug smuggling, etc. The environment is a typical example. It is similar to the nuclear threat in the sense that it cannot be eliminated through unilateral action. It will take global cooperation, and the United Nations is a useful instrument for this. But it will not be able to do anything without, first, political will and, second, financing. This is not a high price. The world spends a trillion dollars each year on the arms race. We can afford to spend a fraction of this sum on the prevention of war, the expansion of international cooperation, and the protection of the biological bases of human existence.

Obviously, commission members might feel the need to include other problems in the final report.

[Interviewer] Now that we can see many of Olof Palme's ideas in action, it would be interesting to know how the views of this outstanding politician took shape.

[Ferm] I knew Olof Palme for more than 20 years, and for 8 of them I worked as his assistant, secretary, and speech-writer. It was no accident that he became active in international affairs, if only because he came from an international family. Olof's family on his father's side came from southern Sweden and Denmark. Most of the men were clergymen and officers. One of his grandfathers became a success in the insurance business in the 19th century. Olof's family was quite rich. He was not raised in the lap of luxury, but he was sent to the best schools. His mother was German and was born in Riga. Olof's maternal grandfather was a professor of chemistry and the rector of the Technical University in Riga.

Olof went to school in the United States for a year, and when he was studying law at Stockholm University he became the president of the Swedish National Student Council. In 1953 he took a long trip through the Asian countries, resulting in a report on the status of students in these countries. It is interesting that in this report Palme was already stating the views he professed all his life. In particular, he pointedly criticized colonialism and expressed the belief that the political future of the Third World lay in non-alignment.

Palme began studying the issues of arms control and disarmament at the end of the 1950's, when he became the secretary of the Swedish prime minister. The main problem he investigated was the question of whether Sweden should have nuclear weapons of its own.

I think that when we discuss non-proliferation today, we should remember the experience of such countries as Sweden and the reasons why we decided not to build a bomb. The debates began in 1954, when the military officially proposed research into military nuclear technology so that Sweden might become the fourth nuclear power after the United States, the USSR, and Great Britain. They asserted that Sweden, as a neutral country, needed a strong defense. The supporters of this theory believed that Sweden should not use nuclear weapons first, but that their presence would force an attacking country to refrain from using its own nuclear weapons. The idea consisted in keeping the war on the level of conventional arms.

There were many arguments against this, but the main one was that measures to prevent war were of much greater value to a country like Sweden than purely military solutions. By their nature, nuclear weapons are offensive and therefore provocative. In the event of a conflict, a country with these weapons would seem to be inviting a preemptive nuclear strike. In this way, the presence of nuclear weapons would lead precisely to the consequences it was supposed to prevent. These weapons are counterproductive and produce the opposite result.

A research group, consisting of Olof Palme and other officials of the Social Democratic Party, was formed in 1958. A year later it compiled a report listing the "pros" and "cons" and recommending the refusal to develop nuclear weapons. This became Sweden's official policy. Although we have uranium deposits and the necessary technology, we openly and consciously decided that nuclear weapons would be counterproductive.

[Interviewer] Is it true that Sweden plans to also give up its nuclear power plants?

[Ferm] Yes. A referendum was held in 1980, and the result was a decision to close all nuclear plants by 2010. Our government is drawing up the necessary plans. This was a difficult decision because nuclear plants produce a large part of our electrical power today.

[Interviewer] Returning to military issues, how would you assess the prospects for the reduction of conventional arms in Europe?

[Ferm] Imbalances in conventional arms, real or imaginary, were the main reason for the deployment of nuclear weapons in Europe. For many years they impeded debates on nuclear weapons in Europe. The problem has to be solved, although this will be extremely difficult. We have the experience of the Vienna talks, which have been going on for 15 years now. They cannot be called completely unproductive, because many problems were defined during these talks—for example, the so-called data problem. The talks did not solve it, but they did lay a foundation for the future.

Besides this, they proved that if you wallow in technical details, you run the risk of never getting any results. If you approach the matter from a broad political standpoint, however, you can reach the goal more quickly. This is why everything depends on the political will and participation of leaders in the talks. There is always the danger that political leaders will forget about the talks after they begin. Diplomats and experts encounter problems they cannot solve without instructions and political directives. When the talks are given political momentum, however, it is easier to achieve a breakthrough. For this reason, if the talks on conventional arms have constant political stimuli, the prospects for them will be much better.

[Interviewer] Much will depend on the general state of Soviet-American relations. What can you say about them?

[Ferm] If you compare the present state of Soviet-American relations to what it was in 1980, when I began working on the Palme Commission, we can say that they have improved considerably. This is sometimes difficult to believe. We, the people of the small countries, sleep much better now because the United States and the USSR are conducting a dialogue. But all the years of confrontation in the 1980's represented lost time and resources. The important lesson is that we cannot waste time. The main thing today, in my opinion, is to continue the Soviet-American dialogue and consolidate the process. The goal we must bear in mind at all times is a nuclear-free world. We still have a long way to go. The conclusion of an agreement on the reduction of strategic arsenals by 50 percent would be a historic achievement. It would not mean that we were halfway to a nuclear-free world, but it would prove that this kind of world is possible. Movement toward it is something the nuclear powers owe all mankind.

The next step after the strategic arms reduction treaty should be, in my opinion, a comprehensive nuclear test ban. It would stop the qualitative arms race and would considerably reduce the danger of proliferation. The world should not enter the next century with a higher

number of nuclear states. This will make it even more dangerous for our children, and they will already have many problems without this.

[Interviewer] Thank you very much for the interview, Mr. Ferm.

#### Footnotes

1. "Common Security. A Program for Disarmament," tr. fr. Engl., Moscow, 1982; also see SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, 1982, Nos 9, 10. COPYRIGHT: Izdatelstvo "Nauka", "SShA—ekonomika, politika, ideologiya", 1989

#### Changing U.S. Public Attitudes Toward USSR Examined

18030008i Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 89 (signed to press 16 Jan 89) pp 78-83

[Article by V.A. Voyna: "American Views on Perestroika: 'Times Have Certainly Changed'"]

[Text] This statement was made in the conservative weekly U.S. NEWS AND WORLD REPORT. In support of this idea, the magazine cited certain facts it found astounding. For example, there was this one. Former U.S. Secretary of Defense Robert McNamara, who is certainly not a "dove," is now speaking "in support of substantial disarmament by the two superpowers." What next, the weekly exclaims. Here is another fact: McGeorge Bundy, the former special assistant to the President for national security affairs, "is now pressuring the administration for a U.S. pledge not to use nuclear weapons first in the event of war."

There is considerable evidence that U.S. attitudes toward the USSR and Soviet-American relations have undergone serious changes. In particular, several analysts there remarked that the absence of serious differences of opinion on these matters in the platforms of election candidates was no coincidence but simply reflected the unanimity of Americans interested in the improvement of relations between the USSR and the United States. In the words of Professor M. Robinson from Georgetown University, this minimal difference in the candidates' positions was due to the fact that "the improvement of relations with the Soviet Union has relieved international tension," and for this reason their positions cannot differ strongly.

When future President George Bush spoke at the University of Michigan during the campaign, he stressed that "the postwar era in Soviet-American relations" had come to an end. He then went on to say: "We are witnessing the start of a new era, a new time in which we can hope for more." The campaign was distinguished by

these attitudes, and it was no coincidence that after the new President had won the election, he said he wanted to arrange for a Soviet-American summit meeting as quickly as possible.

Yes, last year did bring many changes, and it is probable that the main change for the better was the change in the Americans' view of the USSR. The important events of the year and the news from Moscow did much to promote this. One of these events was the fourth summit meeting in Moscow, culminating in the ceremonial enactment of the historic INF Treaty (the uncommonly friendly atmosphere of this meeting was instantaneously registered by the American audience). Another was the celebration of the millennium of Christianity in Russia, which would seem to be a purely domestic affair (the coverage of the festivities in the American press convinced the reading public that the earlier image of the "atheistic power" engaged in an irreconcilable battle with the church and with freedom of religion, was outdated, and this is, quite frankly, of primary importance to the Americans, who are sensitive as far as questions of religion are concerned). Finally, there was the main event of the year—the preparations for the 19th All-Union Party Conference and the conference itself. The event was commonly seen as a turning point. It completely confirmed the American belief that "times have certainly changed."

Minor details sometimes attest to major changes. Sociological survey data attesting to the Americans' more friendly attitudes toward us have been cited in our press numerous times, but these attitudes are also perceptible in such a seemingly incidental source as the newspaper cartoon. After all, the people who draw and write these cartoons have an extremely keen sense of the mood of their readers.

The themes of the cartoons have also changed. Here is a funny cartoon from THE LOS ANGELES TIMES. A woman says to her companion: "No, what I mean is that marriage is fine in the ideal—just like communism...." Would it have been possible to make jokes about this concept in the American press a year or two ago?

Here is another cartoon. The President is being convinced that America cannot get along without an "evil empire." "Without an arch-enemy, we would lose our sense of purpose." For 40 years, he is told, Russia was the enemy, and before that it was Germany and Japan. Before that it was Spain, and before that it was Mexico. And long before that it was England.... This means that "someone has to take Russia's place." Who? The President thinks about it and then suggests: "How about the Indians?"

The famous Art Buchwald has also joined in the fun. One of his satirical articles begins with these words: "What the thaw in Soviet-American relations really means is

that the Russians cannot be portrayed as the bad guys in spy novels and movies anymore." This is followed by a dialogue between a Hollywood producer and a scriptwriter.

The script has to be re-written, the producer says, and even the name of the movie has to be changed. "'Ivan the Terrible'? No, the title will have to be 'Ivan the Good Guy.'" The scriptwriter is confused. The producer explains: "People won't accept anything else. After all, the Russkies are the salt of the earth, and this is how we have to show them." Ivan cannot be a villain, the boss explains. He should not blow up the Williamsburg Bridge in New York. In fact, he should save it instead! "It is time to portray the Soviets as decent, sincere, and loving people who are yearning for peace.... We have to make the kind of movie that will bring tears to the eyes of any viewer—from Albuquerque to Smolensk. This is what perestroika means. The message of the movie will be that two men, Ivan the Russian and Sam the American, can work together in harmony even if one believes in God and the other doesn't." "Which one believes in God?" "Whose script is this? Mine or yours?"

The poor scriptwriter, who has not kept up with the times, is completely baffled!

This is the kind of joke we can find now in THE WASHINGTON POST. Here is another example....

THE NEW YORK TIMES MAGAZINE published an extremely interesting article by Theodore Sorenson, special counsel to President Kennedy. At the height of the campaign this political analyst made the following statement: "When the American people elect the president who will negotiate with Mikhail Gorbachev, it is quite possible that they will decide the fate of the entire world in coming years. This could be an unprecedented opportunity to establish a new constructive relationship on a mutual basis between the United States and the Soviet Union."

The author of the article advises Washington to employ the principle of symmetry in its policies: When one side makes a move, the other responds in kind, and when someone refrains from making a move, the other follows suit. Furthermore, he stresses in the article, this is not a matter of symmetry in force levels, or in arms development, or in military aid to other states, but of symmetry in political leadership. This, in the author's opinion, would reflect American and Soviet traditional concepts of fairness and balance. This kind of symmetry, in his opinion, should facilitate the conclusion of agreements on the major issues of our day regarding the avoidance of the danger of war.

Sorenson recalls the brief period of symmetry more than a quarter of a century ago which produced so much of value, and then arrives at this conclusion:

"The Soviet side of the equation exists and will probably continue to exist for many years. But one man is not the system, not even in the Soviet Union, and lasting changes in a country which is so huge and which is still so stubbornly hostile and ideologically oriented will depend on more than just style, smiles, and good intentions. But my own conversations with Soviet and other officials during two visits to Moscow in the last few months have given me the hope that Gorbachev's efforts to achieve a more open, more responsive, and less isolated society in the Soviet Union are sincere."

"We are pursuing our own interests," the author goes on to say, "and in our country there are people who believe...that Gorbachev is a much more dangerous adversary than his predecessor, that an economically stable and productive Soviet Union would be a more formidable opponent, that an internally shattered Kremlin without a strong general secretary would present less of a threat, and that the symmetry of effective leadership of the superpowers, in short, would be contrary to our national security goals. I think that these people are completely wrong. We are not playing a game of winner take all, in which everything that helps the Soviet Union hurts the United States. A Soviet society more open to Western capital and culture would also be more open to Western ideas and influence. A general secretary who is more interested in building housing, schools, and hospitals for consumers will make less of an effort to build missiles, weapons, and tanks for conflicts.... A 'well-fed Russian'...with a higher standard of living might make a greater effort to evade the danger of nuclear annihilation than an impoverished and desperate one."

This is why the Americans must "elect a leader in their own country who can be equal to him (Gorbachev), test his sincerity, study his 'new thinking,' separate the truth of the matter from propaganda and efforts calculated to keep up appearances, and provide our country and the Western world with purposeful and effective leadership."

Sorensen's views are quite indicative. We could argue with some of his statements, but this is not the main thing. We also have many suspicious people in our country who are naturally wondering what we have done to "oblige" the American leaders so much that they are now supporting our perestroika so zealously. We know that they have their own political aims, which are not always altruistic, but the main thing is that the "principle of symmetry" is working in favor of peace! For this reason, we can agree with Sorensen's basic thesis: Neither side will give up its own principles, its allies, or its efforts to influence world events in the future. Our differences of opinion will not disappear.... As John Kennedy said 26 years ago in the American University speech the author cites: "If we cannot set aside our differences now, we can at least help to make the world more secure in spite of our differences, because our most

basic common link, in the final analysis, is that we all inhabit this small planet. We all breathe the same air, we all worry about our children's future, and we are all mortal."

When we analyze American attitudes toward the Soviet Union today, we constantly return to the central event of the year in our life—the 19th party conference and the U.S. press' reaction to it. It amazed Americans because of its far-reaching political decisions and because of the spirit of openness, the dramatic struggle between old and new, and the acute differences of opinion. It is unlikely that anyone in America could have foreseen this.

Philip Taubman, who naturally measures everything with his own American yardstick, had this to say in THE NEW YORK TIMES: "The heated debates, unvarnished criticism, and clash of ideas that enlivened the proceedings were certainly educative and were probably much more unpredictable and entertaining than this summer's American party conventions could ever be."

For Americans, this is an extremely meaningful comparison!

The same journalist speaks of the "new Soviet political style" and expresses the opinion that M.S. Gorbachev was able to make the 19th party conference an "example" of this. He also explains what he means: "The conference aroused an interest in politics in people who ceased to take an interest in these matters long ago because the party had a monopoly on power and dictated policy without giving the people a voice in national government. M.S. Gorbachev clearly wanted to put the country on a new road, leading to a more democratic—although one-party—system with competitive elections. The approval of the conference apparently gave him the mandate he needed to advance along this road."

Reports from Moscow explained why it was so important for the Soviet leadership to settle political issues of a general and fundamental nature at a time when people are worried about so many urgent problems in their daily life. The conference resolutions, in the opinion of THE NEW YORK TIMES, will have a beneficial effect on the situation in the country: "Genuine political reform will pave the way for economic rejuvenation." According to the same paper, "for M.S. Gorbachev, who encounters opposition to change at every turn, the reorganization of the political system seems to be inevitable, and perhaps the only way of releasing initiative and energy.... Like his campaign for broader glasnost and democracy, the reorganization of the political system is essentially a way of achieving a certain goal—perestroika and economic renewal."

Of course, the American press' reaction to the conference and its resolutions was not unanimous; opinions covered an extremely broad range—from 100-percent approval to equally skeptical feelings or at least skepticism tinged with doubt. In one respect, however, all of the opinions

concurred. Not one observer doubted that this event would decide the fate of perestroika. No one doubted that the Soviet society is experiencing a genuine revolution at this time and has embarked on the road of positive reform—and that there is no road back, that the policy line proposed by the new leadership is the only valid one. The skepticism applied mainly to the Soviet society's ability to reach its goals.

Robert Legvold, director of the Harriman Institute for Advanced Russian Studies at Columbia University, expressed his views on the results of the conference quite frankly in a televised interview on the NBC network. The weekend anchorperson asked him: "Now that Gorbachev has raised glasnost to previously unimaginable heights, will anyone try to put the genie back in the bottle?" Legvold replied: "The process of the further expansion of glasnost could be restricted, but I think the Soviet Union has already passed the crucial point in its development. I do not think that the USSR will ever return to the earlier system."

This was followed by a new question: "Did the conference make Gorbachev stronger than before, or is his reform still in danger and can he still be challenged?" The answer was: "His political position is stronger than ever. He is extraordinarily competent and is completely in control of the situation. There is no doubt that this is the man who should be the leader of the Soviet Union. Gorbachev has made a tremendous impression on the average citizen, who can see the kind of effort he is making to change life in the country for the better. He still has a long way to go, however, before this effort can lead to success."

The interviewer's final question was: "Could you, an expert, have foreseen what happened in Moscow last week even in your wildest dreams?" The answer was: "No. I could only have hoped that my grandsons would see something like this."

The words "revolution" and "revolutionary" can be found in many reports. An indicative remark was made by W. Leuers in THE NEW YORK TIMES: "Mikhail Gorbachev has set an objective with no modern precedent. His peaceful revolution is just as bold as the revolutions of Lenin or Peter the Great." It is true that the journalist immediately presents his own list of paradoxes which, in his words, "came to light at the extraordinary party conference in Moscow" and which could "jeopardize" the Soviet leader's bold program of reform. He feels that the first and most obvious of these paradoxes is the shortage of food and consumer goods. This is a true and valid observation. The second paradox he lists is the alleged need to use autocratic or even despotic methods to achieve goals, because otherwise the Soviet leader will supposedly lose the initiative.

This journalist, however, apparently does not know enough about the high price of our historical experience and about our conviction that the evil of despotism is a

completely unacceptable weapon in the struggle for noble goals and, in more general terms, that the end does not justify the means. He words the third contradiction on his list as the following: "Gorbachev's main challenge will be the problem of the non-Slavic nationalities, at a time when the Supreme Soviet leadership is more Russian or Slavic in composition than ever before in the history of the USSR."

The author, however, apparently believes that the ethnic composition of executive bodies in the USSR is something that is predetermined and self-perpetuating. But is this the root of today's inter-ethnic friction, which has become a real problem in our country? No, it is rooted in the contradictions that accumulated and simply could not be vented during the years and decades of the absence of glasnost and democracy.

The author sees the last paradox in the relations between the USSR and "the communist leaders of Eastern Europe," who are supposedly frightened by our reform and who "might try to gain greater autonomy from the Soviet regime." The same old refrain....

Nevertheless, the tone of the American press in general is distinguished by more optimistic feelings about the speed and scales of reform.

A CNN newscaster said that the most unexpected thing in M.S. Gorbachev's speech at the conference was the proposed radical restructuring of supreme government bodies. When Professor T. Remington, head of the Center for Soviet and East European Studies of a university in Atlanta, was interviewed by this television company, he called this part of the speech "an extremely radical program of reform." The proposed political changes are more revolutionary in a certain sense than the current economic reform. This was the opinion CBS Moscow correspondent T. Fenton expressed during his coverage of the conference.

NEW YORK TIMES correspondent Bill Keller called the reform of the political structure "a plan for a grand new political system," representing "an artful maneuver between party control and popular democracy. By assuming the role of president, Gorbachev could demand a mandate from the party and from the society as a whole.... As president, he would also control the now fortified system of elected people's soviets. These bodies, which are now communist party puppets, are to be turned into organs with real legislative and executive powers, bodies accountable to the public and endowed with their own resources to back up their authority. Gorbachev clearly hopes that the soviets will replace the firmly entrenched party bureaucracy now controlling life in the Soviet Union, down to the smallest plant subdivision. He hopes the soviets will respond more enthusiastically to his appeals for the reduction of bureaucratic red tape and the encouragement of local initiative." He

goes on to say: "This is not the first time Gorbachev has taken risks, relying on his ability to make the necessary changes as the need arises."

A CHRISTIAN SCIENCE MONITOR editorial had this to say about the political reform in the USSR: "Gorbachev has described his view of the future Soviet Union in detail. It is possible that his plan for a democratic society will never coincide with Western ideas, but there is no question that he will take the experience of other countries in democracy into account and will use it to build a new structure for the Soviet Government. He is a communist, but a communist fully determined to pull his system out of the Stalinist ice age. What will this produce? A more highly developed Soviet Union, a more friendly and free country, or just a different Soviet Union but one still hostile to the West?" The same paper observed that "this is an attempt to bring about a genuine revolution. It will be carried out by the most energetic and most reform-conscious leader since Lenin."

Therefore, the revolutionary changes in the Soviet society are understood, accepted, and acknowledged by the Americans, but what will this do to relations between the USSR and the United States? Different opinions have been expressed, but the most common is an appeal for restraint and the advice to wait and see what happens. In particular, NEW YORK TIMES correspondent William Safire has said that the United States should not rush into a rapprochement with the USSR. "We do not want to miss the train as it pulls out of the station," he wrote, "but we also do not want to finance a respite which will allow our opponents to avoid real reform."

A temporizing position was advised by Democratic Congressman from Indiana Lee Hamilton in an article in the CHRISTIAN SCIENCE MONITOR: "What does all of this mean to the United States? The recent internal changes in the USSR, the expansion of freedom, the improvement of the human rights situation, and the possibility of a better life for the Soviet people are all positive signs...but it is not our business or our duty to 'help' Gorbachev. He should solve his own problems and find his own solutions."

In practical terms, they are saying that it is not worth the trouble to liberalize trade with the USSR or expand trade and economic ties on a broad scale. In other words, the United States should not be in any hurry to do this. This is also the opinion expressed by U.S. NEWS AND WORLD REPORT correspondent Michael Cramer. Wait and see, he advises: If real changes take place, the Soviet Union will be "less of a threat" (!) to the United States, and that will be the time for decisions on future action....

What we are dealing with is something like a double bookkeeping system: skeptical feelings about the feasibility of the changes taking place in our society whenever

the possibility of significant improvement in the relations between our two countries is discussed, and a much more optimistic approach to the same changes when the "situation in general" is being assessed, outside the context of intergovernmental relations. The President's National Security Adviser Brent Scowcroft (he also served President G. Ford in this capacity) made this frank statement: "I think the West should not fall into the trap of expecting the Soviet Union to turn into a parliamentary democracy.... We do not know what is really happening there and what direction events will take.... For this reason, we must be extremely cautious and prudent. The West should continue taking an interest in what is going on in the Soviet Union."

I want to end this survey with another opinion, expressed by the BALTIMORE SUN: "The country can never go back to what it was before Gorbachev. The real question is what it will become. This question is impossible to answer. What has begun will continue. The specific reforms Gorbachev and his associates proposed might be blocked, but the generation which rose to power along with Gorbachev realizes that there is no alternative to reform. The Soviet people can look into the future as they never could before. We cannot predict what they will do with their future, but they are dealing now with the truth instead of with lies, and this is also good for everyone—inside and outside the Soviet Union." It is easy to agree with this because we do know that we have no other alternative. COPYRIGHT: Izdatelstvo "Nauka", "SShA—ekonomika, politika, ideologiya", 1989

#### **U.S. Civilian Space Program, NASA's Role Described**

18030008j Moscow SShA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 89 (signed to press 16 Jan 89) pp 84-92

[Article by Lyudmila Vladimirovna Pankova, candidate of economic sciences and scientific associate at Institute of World Economics and International Relations: "The Civilian Space Program"]

[Text] The main feature of the current period of U.S. activity in space is the transition from primarily R & D projects and the development of experimental systems to the broad-scale operation of space-based systems. This is attested to by the present level of the development of space equipment, the capabilities of the present research and production base of space exploration, and the development of the space shuttles. The most salient feature of this transition is the more active commercial use of space. Nevertheless, it is no secret that the militarization of American space operations has grown much more intense since the beginning of the 1980's and that the vigorous interaction and pronounced interpenetration of military and civilian space programs have increased the importance of the development prospects and problems of civilian astronauts.

### The Scales of the Peaceful Use of Space and the Main Fields of Its Commercial Use

The National Aeronautics and Space Administration (NASA) was established 30 years ago under the National Aeronautics and Space Act and was put in charge of the U.S. civilian space program. The administration's functions included the organization of work on space projects and also a large part of the R & D in the specialized NASA research centers and laboratories.

In the last three decades the Mercury, Gemini, Apollo, Skylab, and Space Shuttle manned flight projects have been carried out under the supervision of NASA and with the participation of its specialists and contractors (mainly large American corporations); a group of satellite systems has been developed for practical use. The practical and theoretical value of the results of studies of the solar system with the aid of the interplanetary Mariner, Pioneer, Viking, and Voyager spacecraft is indisputable. Several scientific discoveries were made with the aid of the Explorer series of satellites and orbital astronomical, solar, and geophysical laboratories.

In fiscal years 1960-1987 NASA received more than 245 billion dollars (in 1985 prices),<sup>1</sup> representing around 57 percent of all federal allocations for the use and exploration of space and more than 95 percent of allocations for the civilian space program.<sup>2</sup> Because of the dependence of U.S. space activity on political aims and considerations of prestige, the allocations were extremely irregular. The maximum level of financing for NASA programs dates back to the middle of the 1960's, during the work on the Apollo program.

The intensification of R & D in the military use of outer space in the 1980's considerably reduced NASA's share of annual federal allocations for the U.S. space program: from 59 percent in FY 1980 to 38 percent in 1987.<sup>3</sup> Since the middle of the 1980's the NASA budget has included appropriations for the development of an orbital station by 1993-1996 which, in the words of current NASA Director J. Fletcher, could serve as a scientific laboratory and also as a spaceport. The development of the orbital station, however, will not increase NASA allocations substantially and will only maintain (after the completion of the work on the space shuttle program) the current scales of NASA activity.

Even in the 1980's, however, the United States has been far ahead of the other capitalist countries in terms of the scales of its civilian space program. In FY 1986 the NASA budget totaled 7.76 billion dollars, while the budget of the European Space Agency (ESA) was 868 million dollars. The number of people working on NASA programs in the first half of the 1980's was 155,000, while 30,000 were working on ESA programs.<sup>4</sup> Over the last 10 years, however, the West European countries and Japan developed several systems equal to American systems in their technical characteristics: for example, the French Spot satellite for the study of earth's natural

resources, the counterpart of the American Landsat; the West European Aryan rockets, etc. The West European countries and Japan are concentrating more on capital-intensive fields of space R & D—manned flights and orbital stations. The development of space equipment embodying the latest scientific and technical achievements is becoming an increasingly important factor in eliminating the technological gaps between the three centers of imperialism.

The need to enhance the competitive potential of American space equipment at a time of limited resources for the NASA space program motivated the current administration to pursue a policy aimed at the development and use of space equipment by companies on a commercial basis. The main factors in the development of the commercialization of space are the higher profitability of space projects, especially satellite communication systems, and the expansion of the sphere of business activity in space: from space communication systems in the 1960's and 1970's to space transport systems, equipment for the study of earth's natural resources, and space technological complexes in the 1980's and 1990's.

The proportion accounted for by private companies in total expenditures on civilian space equipment rose to 22 percent in the 1980's and reached 2 billion dollars a year. According to the Office of Technology Assessment of the U.S. Congress, the growth rate of private allocations for the development of space equipment is at least 10 percent a year.<sup>5</sup> Furthermore, the expenditures of private companies on space equipment will reach 9 billion dollars by 2000 and will total 219.3 billion (in 1985 prices) in the 1985-2010 period. In view of the fact that U.S. companies usually invest 10 percent of the sales of high technology products in related R & D, the additional resources private companies invest directly in space R & D will be around a billion dollars in 2000 and 22 billion in 1985-2010 (in 1985 prices).<sup>6</sup>

There are three distinct areas in the commercial use of space: the development of new types of activity—for example, the production of pharmaceuticals, clean glass, and semiconducting materials in outer space; the use of "traditional" space equipment—for example, rockets; the direct transfer of space systems developed for the government to the private sector. Each of these areas presupposes participation by the government and NASA to reduce the technical and financial risks of companies. As a national security directive (NSDD-144) of 15 August 1984 and the new presidential directive on space of 5 January 1988 stipulated, however, government support of private enterprise in space will not include direct government grants.

NASA has a special office in charge of commercial programs. It is supposed to encourage the development and use of space systems on a commercial basis. In particular, industrial companies are to have easier access to NASA experimental equipment, and purchases of space equipment will be organized. The possibility of

putting experimental models in orbit more quickly and of simplifying the procedure by which NASA concludes agreements with industry for joint research projects is being investigated. The network of commercial information centers NASA established in 1985 is being expanded.

Special legislative acts back in FY 1984 secured the right of American companies to produce rockets on a commercial basis and the majority participation of private capital in the operation of the Landsat system.<sup>8</sup> As far as space technology is concerned, the U.S. administration's proposal regarding the establishment of an "orbital industrial platform" by 1993 on a commercial basis and for commercial use,<sup>9</sup> on the condition that NASA will lease up to 70 percent of its area for 5 years, is being widely debated.

In the opinion of American industry and administration spokesmen, however, the commercialization of space is not proceeding smoothly enough. The United States is behind Western Europe, for example, in the commercial use of space transport systems.<sup>10</sup> The situation was complicated by the failure of American lift-off equipment in 1986 and especially by the Challenger disaster. Now the West European Arysanspace consortium is far ahead of U.S. companies in the number of orders it has received to put commercial satellites in low orbits. American experts feel that competition from Japan and the PRC is possible in this sphere. The United States is investigating the possibility of the commercial services suggested by the Soviet Union in the sphere of space equipment and technology.

According to American experts, the necessary conditions for the successful development of the commercial use of space are the stability of government space policy, the precise division of spheres of activity in space among government organizations and private companies, government financing for long-term R & D, more reliable systems for the launching of vehicles and the performance of various operations in orbit, and better insurance for space activity.

#### The NASA Research Base and Defense Department Interests

In the middle of the 1980's the funds allocated to NASA for space R & D totaled 3 billion dollars a year and were distributed in the following manner: 24.7 percent for basic research, 32.6 percent for applied research, and 42.7 percent for development. Its share of total federal allocations for civilian and military space R & D decreased from 70 percent at the beginning of the 1980's to 50 percent in the middle of the decade. In the sphere of basic and applied research, however, NASA is still the leader. This is clear from a comparison of the funds allocated for basic and applied research to NASA and the Department of the Air Force, because this department receives 80 percent of the Defense Department's space allocations. In FY 1985, for example, NASA allocations

for basic research totaled 826.7 million dollars, but Air Force allocations totaled 206.2 million. In FY 1985 NASA received almost twice as much for applied research as the Air Force (1,088,100,000 and 557,000,000 dollars respectively).<sup>11</sup>

Around 93 percent of the NASA allocations for basic and applied research are earmarked for the technical, natural, and environmental sciences. Technical sciences are in the lead, because they absorb more than 55 percent of NASA allocations for basic and applied research. In several fields of science (primarily astronomy, aeronautics, and astronautics) the NASA allocations for basic and applied research exceed the resources of the Air Force and even of the Defense Department as a whole. In FY 1985 total allocations for basic and applied research in astronomy, aeronautics, and astronautics were around 1,260,400,000 dollars for NASA and 410,900,000 dollars for the Defense Department. In basic research alone, NASA allocations exceed Defense Department allocations in the natural sciences and environmental science. The proportion accounted for by NASA allocations in the combined allocations of the Defense Department and NASA for basic research was 45.4 percent in the middle of the 1980's in the technical sciences and 94.2 percent, 80.5 percent, and 77.6 percent respectively in astronomy, astronautics, and aeronautics. NASA allocations for basic research in physics are also sizable (almost 32 percent of the combined allocations of NASA and the Defense Department).

If we examine the agency's R & D structure in terms of the performers of projects (Table 1), we see that more than 50 percent of all the funds allocated to NASA for basic and applied research are spent in NASA's own research centers and laboratories. These include the Kennedy, Johnson, Marshall, Goddard, Langley, Ames, Dryden, and Lewis centers, the Jet Propulsion Laboratory, and the National Space Technology Laboratory. Furthermore, the scales of the basic and applied research conducted by NASA laboratories and research centers exceed the scales of Air Force research and are comparable to the scales of projects conducted in the research subdivisions of the Defense Department. Around one-fifth of the basic and applied research conducted by government organizations takes place in NASA laboratories and research centers. The indicator for R & D as a whole is around 10 percent. NASA has an impressive share of government scientific and technical potential, and it associates the prospects for its development with this.

The results of NASA research formally categorized as civilian are known to be used in the military sphere as well. The very creation of NASA presupposed the need to transmit research findings of military significance to Defense Department organizations.<sup>12</sup> The close interaction of the U.S. military and civilian space programs was underscored in Reagan administration directives on space (of 4 July 1982 and 5 January 1988). The coordination of civilian and military space projects is the job of an interdepartmental group<sup>13</sup> made up of the deputy

secretaries of defense, state, and commerce, the director of Central Intelligence, the chairman of the Joint Chiefs

of Staff, the director of the Arms Control and Disarmament Agency, and the NASA director.

**Table 1. Distribution Patterns of NASA R & D Allocations Among Performing Organizations in FY 1985, millions of dollars, %**

Nature of work	Total	Government organizations	Non-governmental organizations			Other
			Industrial firms	Universities and colleges	Non-profit organizations	
Basic research	826.6	414.9	181.5	195.2	30.5	4.5
% of total	100	50.2	22.0	23.6	3.7	0.5
Applied research	1088.1	638.8	324.5	79.4	40.1	5.3
% of total	100	58.7	29.8	7.3	3.7	0.5
Development	1424.7	323.1	845.1	173.5	52.0	31.0
% of total	100	22.7	59.3	12.2	3.6	2.2
All R & D	3339.4	1376.8	1351.1	448.1	122.6	40.8
% of total	100	41.2	40.5	13.4	3.7	1.2

"Federal Funds for Research and Development," Fiscal Year 1983, 1984, 1985.

The degree and nature of the Defense Department's interest in NASA projects can be seen quite clearly from an analysis of R & D for projects of different categories (Table 2). The spheres of the greatest interest to the Defense Department are general-purpose advanced research, orbital station and space vehicle R & D, and projects connected with safety, reliability, and quality. The share of these allocations in NASA's total financial resources for R & D is increasing: 42 percent in FY 1986, 48.9 percent in 1987, 50 percent in 1988, and 56.9 percent in 1989.

**Table 2. Structure of NASA Budget in Fiscal Years 1988-1989,\* in current prices, millions of dollars**

Budget items	1988	1989**
I. R & D	3294.5	4446.7
including:***	36.5	38.7
Orbital station	392.3	967.4
Space transport systems	609.8	631.1
Space sciences	1009.5	1297.3
Earth sciences	69.5	101.7

**Table 2. Structure of NASA Budget in Fiscal Years 1988-1989,\* in current prices, millions of dollars**

Budget items	1988	1989**
Planetary research	329.2	404.0
Applied space and earth research	566.3	562.3
Commercial programs	73.7	57.9
including:	2.2	1.3
Technology transfers	17.7	19.1
Commercial use of space	56.0	38.8
General-purpose advanced R & D	610.9	889.5
including:	18.6	20.0
Aviation equipment	334.8	414.2
Aerospace equipment	52.5	84.4
Space equipment	223.6	390.9
Safety, reliability, quality	6.8	8.8

**Table 2. Structure of NASA Budget in Fiscal Years 1988-1989,\* in current prices, millions of dollars**

Budget items	1988	1989**
Advanced observation and data processing systems	17.9	18.8
	0.6	0.4
II. Control, communications, and flight support systems	3810.7	4841.2
	42.2	42.1
III. Capital construction	178.3	285.1
	2.0	2.5
IV. Administrative costs	1743.0	1915.0
	19.3	16.7
Total	9026.5	11488.0
	100	100

\* Bottom figure is percentage of total.

\*\* Requisition data.

\*\*\* Bottom figure is percentage of R & D.

Calculated according to data in DEFENSE DAILY, 24 February 1988, pp 286- 287.

The NASA orbital station research project aroused the interest of the Defense Department primarily in connection with the SDI program because of the possibility of perfecting the assembly of large structures in orbit, the use of artificial intelligence and robots, the performance of repair and restoration work and the assessment of its effectiveness, and the conduct of SDI-related scientific projects directly on board the station. The Air Force has also recommended the use of the station as a fuel and maintenance base for space weapons systems.

A unique situation took shape in the second half of the 1980's in the development of space transport systems. The SDI-related research is introducing significant changes into the joint participation by NASA and the Defense Department in the development of these systems as it has been practiced since the 1970's, reducing NASA's role in advanced systems projects. For example, whereas NASA's contribution to the development of the space shuttle from 1975 to 1983 was estimated at 85 percent, the figure is only 19.4 percent for the aerospace plane. This situation is a matter of great concern to the heads of NASA, because systems research and development projects have been an important part of NASA activity from the very beginning. In January 1988 President Reagan approved a program for the development of very heavy rockets (carrying capacity of 45-90 tons), which would be used mainly to put the SDI program's heavy space-based elements in orbit. Now NASA is

trying to substantiate its participation in the development of very heavy rockets by investigating alternative ways of employing the results of civilian space projects using rockets with greater carrying capacity.

Allocations for advanced general-purpose development projects are growing in the NASA budget (Table 2). Of the 223.6 million dollars allocated in FY 1988, 115.2 million was earmarked for the "NASA civilian technological initiative." Within the framework of this initiative, R & D projects are to be conducted in the following fields: propulsion systems, information systems, large space structures, control systems, energy sources, automation equipment and robot systems. NASA received authorization to increase the size of its personnel staff by 625 people in FY 1988 for general-purpose advanced R & D.<sup>15</sup> The intensification of research in advanced technological fields and the subject matter of these projects attest to the direct connection between this area of NASA activity and the SDI program.

The SDI-related research will place NASA activity more firmly under the authority of the Defense Department. Now the military departments are interested in NASA's R & D projects even in the space sciences. The tracking and interception of missiles and warheads will require additional research into space plasma, solar wind, the structure of earth's magnetosphere, the Northern Lights, etc. The Defense Department is investigating the possibility of using this information from NASA satellites and of developing purely military satellites for these purposes.

On the whole, the analysis of the NASA budget structure indicates that the simultaneous tendencies toward the militarization and commercialization of space on the threshold of the 1990's could transform NASA into a research center (in view of its important role in basic and applied research), with the retention of administrative functions in the space sciences and several of the main civilian space programs, by the end of this decade.

#### **Long-Range NASA Goals and Soviet-American Cooperation in Space**

Today it is precisely in the space sciences that attempts are being made to define NASA long-range goals and objectives. A lengthy study on the prospects for civilian space projects was prepared for the President and Congress at the end of 1987 by the National Commission on Space, headed by former NASA Director T. Payne.<sup>16</sup> These prospects were also investigated by the NASA strategic planning group headed by S. Ride and the NASA space projects advisory committee headed by M. Collins.

All of these reports stress the need for major space initiatives, particularly the organization of a manned flight to Mars and the development of a permanently manned lunar base as a stage in the organization of the Martian expedition. American researchers feel that these

projects will enhance the national prestige of the United States and of NASA in public opinion, will give the activity of this agency new momentum, and will stimulate the development of new technologies. These projects are expected to revive the dwindling American planetary research program (because the extensive observation of Mars with automated equipment will be required during the preparatory stage of the expedition) and will include the study of the climate of Mars, its past and present, and its enigmatic topography for the subsequent application of the research findings to the Earth.<sup>17</sup>

American scientists believe that a manned flight to Mars would not present any insurmountable difficulties. In the opinion of famous American astronomer C. Sagan, technology has a shorter distance to travel from the present moment to the landing of the first crew on Mars than it did between the time when President Kennedy announced the Apollo program as a national objective of the United States and the time when the astronauts first landed on the moon.<sup>18</sup> The estimated cost of the Mars flight is half as high as projected expenditures on the SDI program up to 1993.<sup>19</sup>

The U.S. scientific community attaches great importance to the possibility of international cooperation in the manned flight to Mars, especially between the USSR and the United States. American scientists believe that a joint Martian expedition would serve as a model and stimulus for Soviet-American cooperation in projects on Earth. The idea of a joint manned flight to Mars was discussed at the international forum on "Cooperation in Space for Peace on Earth" in Moscow in October 1987. It was also the subject of a special USSR-U.S. space-bridge, during which Soviet and American scientists discussed several of the most important questions connected with the possibility of accomplishing this "amazing human undertaking."

On 15 April 1987 Soviet Foreign Minister E.A. Shevardnadze and U.S. Secretary of State G. Shultz signed a USSR-U.S. agreement on cooperation in the study and use of outer space. The agreement envisages bilateral cooperation in the study of the solar system, space astronomy and astrophysics, earth sciences, solar physics, and space biology and medicine. So far, 16 concrete cooperative projects are planned.<sup>20</sup> They include research to determine the most promising places for a landing on Mars, the exchange of scientific data on the surface of Venus, cosmic dust, meteorites, and moon rocks, the coordination of the Soviet Phobos and Vesta projects with the American Mars-Observer project, the exchange of research in radio astronomy, the coordination of studies of global environmental changes, cooperation on the Cosmos bio-satellite program, and others. Soviet-American cooperation in space was also discussed during R. Reagan's visit to Moscow in 1988. The joint statement on the Moscow summit mentions the "progress in the implementation of the agreement (1987) on cooperation in the study and use of outer space for peaceful purposes" and the intention of the Soviet leader

and U.S. President to put forth "a new initiative for broader interaction in the peaceful exploration of space by providing mutual opportunities for the emplacement of scientific equipment on one another's spacecraft and exchanging the results of independent national manned flight research conducted by both countries for the study of the solar system to assess the prospects for further Soviet-American cooperation in such flights."<sup>21</sup> The possibility of cooperation in the organization of scientific expeditions to the moon and Mars was also discussed.

We will conclude this discussion by listing the most distinctive features of U.S. activity in the use of outer space for civilian purposes at the end of the third and the beginning of the fourth decades of the space age. Above all, these are the planning and use of a group of measures to encourage the extensive involvement of private business in the development and use of space equipment; the intensification of NASA studies of advanced technologies; the planning of manned flights beyond low orbits in the solar system. The completion of projects of this kind could be an important factor in surmounting the militarist tendencies in U.S. space activity and the considerably increased subordination of NASA's scientific and technical potential to military goals in the 1980's.

#### Footnotes

1. Calculated according to data in AEROSPACE FACTS AND FIGURES, 1985/86.
2. Funds for the U.S. civilian space program are also allocated to the departments of energy, commerce, agriculture, and interior and the National Science Foundation.
3. Allocations for the Defense Department space program increased from 3.8 billion dollars in FY 1980 to 17 billion in 1987 (in current prices).
4. CHEMICAL & ENGINEERING NEWS, July 1986, p 43; SPACE POLICY, 1987, No 1, p 61; the number of people working on the ESA program is equivalent to only 12 percent of those working on the U.S. space program as a whole, including the military space program.
5. In the 1960's and 1970's the indicator was 0.5 percent and 3 percent respectively ("Civilian Space Station and the U.S. Future in Space," Washington, 1984, p 220).
6. Ibid., p 221.
7. "Civilian Space Policy Under the Reagan Administration: Potential Impact of the January 1988 Directive. CRS Report for Congress," 21 March 1988, p CRS-17.
8. ACTA ASTRONAUTICA, 1986, No 6-7, p 471.
9. "Civilian Space Policy Under the Reagan Administration," p CRS-42.

10. THE SPACE LETTER, 1 May 1987, pp 3-4.
11. "Federal Funds for Research and Development," Fiscal Years 1983, 1984, 1985, Washington.
12. ACTA ASTRONAUTICA, 1986, No 6-7, p 469.
13. The interdepartmental group was established by the Reagan administration's first directive on space (4 July 1982) and its role was reaffirmed in the new directive on space of 5 January 1988.
14. DEFENSE DAILY, 24 February 1988, p 287.
15. AVIATION WEEK & SPACE TECHNOLOGY, 1986, No 2, pp 30-32.
16. For the results of this study, see V.T. Khorkov, "Prospects for Astronautics, American Model," SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA, 1987, No 10, pp 93-98.
17. The last Pioneer launching was in 1978. The launching of the Galileo spacecraft—to study Jupiter and possibly one or several asteroids—and the Magellan—to radio map Venus while orbiting around the planet—is planned for 1989 after an 11-year interval.
18. AVIATION WEEK & SPACE TECHNOLOGY, 1986, No 23, p 11.
19. R.Z. Sagdeev, "Sovetskaya mirnaya programma kosmicheskikh issledovanii i mezhdunarodnoye sotrudничestvo. Mir i razoruzheniye. Nauchnyye issledovaniya" [The Soviet Peaceful Program of Space Research and International Cooperation. Peace and Disarmament. Scientific Research], Moscow, 1987, p 112.
20. PRAVDA, 18 April 1987.
21. Ibid., 2 June 1988. COPYRIGHT: Izdatelstvo "Nauka", "SShA—ekonomika, politika, ideologiya", 1989

**Management, Financing, Supply of Military R & D**  
*18030008k Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 89 (signed to press 16 Jan 89) pp 93-100*

[Article by Tatyana Andreyevna Mazayeva, candidate of economic sciences and scientific associate at Institute of World Economics and International Relations, USSR Academy of Sciences: "Military R & D: Management Practices and Problems"]

[Text] More than one-fourth of all American scientists and engineers engaged in research are now working on military R & D. Defense Department allocations for these purposes rose to almost 42 billion dollars in 1987, or around 30 percent of all national expenditures on

science.<sup>1</sup> The absolute majority of new types and systems of weapons are developed within the framework of the special Defense Department comprehensive R & D programs. When government institutions organize the work on these programs, they come into contact not only with departmental scientific centers but also and primarily with a significant number of economically autonomous contractors representing the private sector and not subject to direct administrative influence. For this reason, the relations between program participants are based primarily on mutual economic accountability and interest.

Many of the organizational and economic methods the Defense Department uses in the management of scientific and technical programs contribute to the innovative nature of research, secure the effective organization of work, and prevent unnecessary losses of time and money. These include, in particular, the procedure for the selection of program executors, the organization of scientific and technical cooperation by contractors, the practice of competitive R & D, the procedure for the funding of executors, and the system of material and technical supply for research projects.

Incidentally, government agencies managing civilian R & D programs use methods similar or identical to the management techniques discussed in detail in this article.

#### Choice of Executors

The authority to choose research program executors is decentralized and is exercised by the structural Defense Department subdivisions which drew up the program and therefore have an immediate interest in the quickest possible development of the particular field of science or new type of military equipment. The orders military departments place with executors usually take the form of a series of contracts. Contractor organizations are chosen for each specific stage of research, and not for the entire project.<sup>2</sup> The choice of Defense Department program executors is an unusual procedure, especially in comparison with the practice in other countries. Many potential contenders are informed in advance of upcoming contracts. Research organizations—potential executors—receive advance information through the network of scientific and technical information centers and offices of the different military departments.<sup>3</sup> The number of these centers is constantly rising. Furthermore, highly specialized organizations are being established, such as a chemical and biological weapon data processing center and a high-temperature materials information analysis center. Defense Market Service, Frost & Sullivan, and other private consulting firms provide considerable assistance in the guidance of executors. They publish information about conditions in the military contract market and perform contract information services.

Competitive bids are frequently solicited for contracts. For example, contracts for research during early stages of the development of a program are usually awarded on a competitive basis. This gives clients broader opportunities to use the scientific and technical potential of various research organizations in the country and to compare and assess a greater number of technical proposals than in interviews with single applicants. General contracts for the development of major weapons systems and contracts to executors who participated in the development of experimental models in an earlier stage of the program are awarded on a non-competitive basis. Government agencies have been using competitive bids more actively in recent years. In their opinion, this broadens the group of executors and thereby prevents the monopolization of the military R & D market by a small group of traditional Defense Department contractors. The following data provide some idea of the development of this practice. The proportional number of competitive Defense Department contracts for the development and production of military equipment rose from 40 percent to 57 percent between 1983 and 1986, but it did not exceed 36 percent in the 1970's.<sup>4</sup>

The methods government military agencies have used to expand the competitive bidding for contracts, however, have still not given small high technology firms easier access to military R & D markets. Just as in the past, many expensive initial contracts are awarded to only 20-30 large industrial companies with a long and close relationship with the client. To some extent, this happens because personal ties in the upper echelons are a major factor in the choice of a contractor organization. Besides this, during the competitive bidding, preference is frequently given, for no good reason, to a lower price rather than the higher quality that generally requires substantial expenditures.

#### Scientific and Technical Cooperation

Participation in the development of modern complex weapons systems throughout the research cycle, from the development of the idea to its embodiment in experimental and test models, is virtually beyond the capabilities of any one corporation or research center, even a highly diversified one. It requires the united efforts of the research teams of different establishments. Under present conditions the previously common "general contractor—subcontractors" type of economic relations is inadequate. For this reason, the Defense Department has taken on several new functions. They include, first, the development of cooperative relations between participants in the research process, including the incorporation of new organizational forms for the conduct of R & D and, second, assistance in the creation of new research organizations specializing in military technical projects.

This activity gave strong momentum to the development of scientific and technical cooperation between such research organizations as the laboratories of various industrial firms, and also cooperation by these labs with,

for example, university centers. The parallel development of theories and separate weapon components or systems by several companies simultaneously has been practiced more widely in recent years. After these companies are awarded contracts, they have equal rights to divide the responsibility for the completion of various parts of the program among themselves in line with the terms of the contract.

Another form of cooperation is based on the "leader-follower" concept: The company submitting the winning bid and receiving the contract (the "leader") must take measures to develop the scientific and technical potential of one of its competitors so that the former competitor first has a chance to conduct research in the capacity of a subcontractor and then to submit another bid for the contract for subsequent stages of R & D or production. The "leader" is expected to provide the "follower" with preliminary research results and production technology and familiarize the "follower" with program management methods.<sup>5</sup>

Besides this, the Defense Department assumes responsibility for the organization of research work in joint industrial-university centers by contributing funds for their establishment or by financing their research with contracts.<sup>6</sup> The services of these centers are enlisted in the early stages of research projects—i.e., basic research and exploratory projects. The scientific and engineering personnel in industry also undergo training in these centers to acquire new knowledge in fields of particular interest to the corporate founders of these centers.

The development of cooperative relations, in spite of the value of the results, can solve only part of the problem of enhancing the effectiveness of military R & D. This is why the Defense Department concentrated on the establishment of organizations conducting research in new fields of science or in the areas where they overlap in the 1980's in line with the increasing breadth and complexity of scientific subject matter. The Pentagon once took a direct part in the creation of a special group of scientific establishments—the federal contract centers specializing in departmental projects. The SDI Institute, a federal contract center, was established in 1986 in a similar manner at the suggestion of the SDI Organization. The center assists its "founder" and other agencies connected with SDI program management in assessing the technical parameters of systems and the possibility of using promising innovations in the ideas and structures of the systems the program envisages.<sup>7</sup>

Another example is even more interesting. In 1987, 11 research centers were opened at U.S. universities on the initiative of the Department of the Army's research staff. The scientific and technical personnel of these centers will be awarded grants and contracts for basic research in fields of interest to the Department of the Army.<sup>8</sup> New centers for interdisciplinary and comprehensive research are being established in this way.

In an effort to eliminate the budgetary "maintenance" of the personnel staff of government laboratories whose work is frequently criticized and is known to be unsatisfactory, the Pentagon periodically conducts a reorganization. As a result, the role of government centers is gradually changing. The operations of some have been partially redirected from pure research to organizational work. Many laboratories now do not conduct research autonomously on individual elements of programs as much as they perform expert services for industrial contractors developing military equipment.

### Competitive Projects

Apparently, the competitive nature of the present system of organizing research programs is an indisputable advantage. This has become the common practice in two areas:

During the early stages of research, when technical risk and uncertainty are high, and when parallel analyses of problems can secure the quicker advancement to the final goal by the most successful research team;

During the technical development of not very capital-intensive subsystems and components of weapon systems for the purpose of securing broader future opportunities for clients to choose a manufacturer of the product.

The technical development of large capital-intensive systems on a competitive basis is substantially restricted by financial considerations.

The competitive parallel performance of work is usually organized by the client during only one stage of research. A characteristic example is the SDI program. Virtually all of the key SDI projects were conducted on a competitive basis, and not by two contractors, but by several groups of participants representing several dozen research establishments. The work on the architectural design of the future ABM system, for example, was performed by 10 different scientific and technical teams in 1986. They united 26 contractor organizations and were chosen from among 50 bidders.<sup>9</sup>

Sometimes competitive projects are organized during many or most of the pre-production stages of weapons system development.<sup>10</sup> Program budgets include a financial reserve to secure the adequate financing of competitive projects.

The further expansion of competitive work represents one of the main objectives set by the Defense Department leadership as part of the 1986-1987 reform of the system of military equipment development and production management. In accordance with this, competitive projects will be encouraged on the subcontractor and well as the contractor level in the future. Clients will regulate the competition by requesting initial contractors

to submit long-range plans for the organization of competitive projects by subcontractors in advance, prior to the negotiation of contracts. Besides this, initial orders will be divided up more often than before, and the elements in which competitive projects would be preferable will be excluded from these orders. Finally, the government agencies concerned will use the competitive principle as early as possible in the development of programs in the future.<sup>11</sup>

Now that military R & D on a competitive basis is being encouraged to the maximum, there are frequent cases in which a competition is announced simply for the sake of competition, without any serious analysis of all the "pros" and "cons" of this decision. This opinion was expressed during congressional hearings on the reform of the military equipment development and production management system by renowned expert on military economics J. Gansler.<sup>12</sup> This casual approach is wasting money and other resources and delaying the completion of projects because it takes more time to evaluate and compare the technical proposals and reports of several contenders.

### Program Financing

The procedure of financing military research has a perceptible effect on the efficiency of scientific work. The military R & D financing procedure creates opportunities for the stricter use of funds according to their designated purpose and, in the final analysis, stimulates the quick and efficient completion of work by contractors.

Government agencies finance only specific R & D programs, and not the centers participating in the projects. Because each program has its own budget, the program director allocates funds to finance the work of contractors. In other words, the right to distribute financial resources can be exercised only by the client's program director, and not by the managers or financial departments of organizations executing the programs. This procedure keeps the funds earmarked for specific programs from getting lost in the total receipts of the contractor organization. In other words, it prevents their redistribution and use for other work performed by the personnel of the organization.

Each stage of research is financed in line with the analysis of the results achieved during the previous stage and with a view to the funds already earmarked for this purpose. The completion of each successive stage is the point at which a decision is made on the expediency of the continued financing of work and on the transfer of the program to a new stage of research. This gives the executor a natural interest in performing good work on schedule, because the contract for the next stage depends directly on the effectiveness of the last stage. Besides this, the question of the amount of R & D program financing is raised each year, because the federal government budget (and, consequently, the budgets of all

federal departments and agencies) is approved by legislators for the coming year. On the one hand, this leads to the more careful selection of projects and programs warranting further financing and creates definite obstacles to the continuation of projects of little use or promise. On the other hand, this system is accompanied by the bureaucratic delays that are becoming, as American experts admit, the main reason for the instability of program financing and development.

Estimates of the cost of R & D during different stages of a program are drawn up by the immediate executor under the supervision of the client's managerial staff. There are two common methods contractors use to estimate costs: They either compare the parameters of the future weapon system to the parameters of similar existing systems whose development and production costs are known, or they use the purely technological approach, adding up the expenditures on all technological operations, materials, scientific and auxiliary equipment needed for the project, etc.<sup>13</sup> Major capital- and labor-intensive R & D programs require estimates of the cost of the entire life cycle during the earliest stages of preparation—i.e., the total cost of all stages of R & D, production, and operation of weapons systems. This amount then serves as a point of reference, and any deviation from it is considered to be extremely undesirable. Participation by contractors in the calculation of the cost of projects—of any type, from basic research to technical development—heightens their interest in working on government contracts because these contracts promise a profit in the near future, in contrast to the investment of their own funds in new equipment for commercial use. Estimating the cost of R & D primarily according to total expenditures (because it is not always possible to use the cost of similar systems as a frame of reference), however, gives some contractors a chance to include figures that are invalid and have nothing to do with the program in the overhead costs and expenses, and the elimination of this practice is the main function of the huge Defense Department auditing staff.

The current system of Defense Department R & D program financing is not devoid of a few defects. In particular, when contracts are being negotiated, many contractor organizations submit "optimistic" cost estimates—i.e., they deliberately reduce anticipated expenditures so that they will have a better chance of receiving the order. This later necessitates the revision of cost estimates and requests for additional budget resources. Besides this, this financing procedure does not envisage the removal of the sums from the program budget which are usually left over at the end of the year when the actual rate of inflation is lower than the projected rate.

After a thorough analysis of the system of military equipment development and production management in 1986, the Packard Commission decided that the overexpenditure of government funds could be combated by the gradual institution of measures which would affect the financing mechanism and contract system first. In

particular, long-term contracts (instead of the yearly contracts commonly used until now) are to be used more extensively, and appropriations for military R & D and arms production are to be approved for several years in advance. This will be of definite benefit to the government because it will save money by reducing the amount of time required for the discussion of budget documents by different agencies and eliminating the need for annual contract negotiations. Long-term contracts should give industrial firms an incentive to invest in fixed capital and scientific equipment. This incentive is not present when firms work on 1-year contracts because they generally cannot be certain they will be awarded a contract for the continuation of the work.

To combat the overexpenditures created when the actual costs of executors exceed the costs stipulated in contracts, military departments will require the constant calculation of expenditures of labor and materials in the development and production of new weapons systems. The information received from contractors will be compared with the labor expenditure standards of the military departments and will be used in calculating the contract price.<sup>14</sup> It is true, however, that only contractors working on projects costing over 2 million dollars will have to keep records of labor and material expenditure patterns and amounts.

Besides this, "firm-price" contracts, presupposing the preliminary calculation of the price of the new product, will be used more extensively in the negotiation of government R & D contracts, especially for the technical development of weapons systems and subsystems, within the near future in order to improve the financing system.

The improvement of the contract system has recently been connected with the limitation of cases in which the basic terms of contracts are not stipulated in advance. For a long time, contracts of this type served as something like a "pump"—to pump excessive sums out of the federal pocket.<sup>15</sup>

The methods of financing R & D projects and programs are quite flexible. Grants are used widely by government agencies to finance basic research: These are advance payments to cover the actual or projected costs of research. Grants are awarded to individuals working on individual products or to college and university research teams working on joint projects. In 1983 the Defense Department awarded 15,000 grants to 204 colleges and universities, totaling 940 million dollars, and to 113 non-profit organizations, totaling 790 million dollars.<sup>16</sup>

#### Material and Technical Supply of Programs

The procedure for the acquisition of new scientific instruments, equipment, and research tools for government programs is the same for all types of contractor organizations. Each research establishment buys the equipment for contracted research on the commercial

market or orders it from a supplier. Contractor organizations use different ways, however, of accumulating the funds to pay for the new scientific equipment. The laboratories and centers of private industrial firms, for example, add the cost of material and technical supplies to the overhead expenses that are covered by the terms of contracts. Besides this, the scientific laboratories working on contracts independently pay for rapidly replaced elements of the material and technical base of R & D—materials, scientific instruments, measuring devices, and others—with funds specifically envisaged in the contract terms. The industrial contractors of the Defense Department have unimpeded access to military testing ranges and experimental facilities in government laboratories and federal contract centers to conduct tests of their weapon models. When necessary, the military departments organize and finance the construction of new test sites and centers to perform a variety of functions. For example, the Kwajalein missile range (Marshall Islands), the high-energy laser experimental center (New Mexico), the Pacific missile range (California), and other facilities are now being modernized.<sup>17</sup>

The material and technical supplies for research conducted by American colleges and universities are acquired in line with a procedure with several distinctive features. The cost of the contract negotiated with an establishment of higher education usually does not include expenditures on the acquisition of equipment or the capital construction of laboratories. The common practice is to negotiate the purchase of new instruments and tools with the financing agency, after which funds are allocated for this purpose, but they usually do not include repair and maintenance costs.

It is true that the defects of this system recently became apparent, and the legislative branch will have to decide how to improve the procedure. In all probability, in the near future contractors will be authorized to include expenditures on the purchase of expensive equipment and scientific instruments in the cost of any research contract or grant. In addition, the cost of equipment repair and maintenance will be included in grants and contracts. There are also plans to reduce the depreciation term of scientific equipment from 15 years to 5-10 years, which will give university laboratories a chance to accumulate their own resources for the replacement of working capital. The administrators of several universities plan to include a special reserve in their budgets for the acquisition of scientific equipment in the near future.<sup>18</sup>

Besides this, in 1983 the Defense Department approved an official 5-year program for the provision of universities with scientific equipment. It envisages the allocation of 30 million dollars a year through the grant mechanism to establishments of higher education working on government contracts. The collective use of unique and expensive scientific equipment by university centers conducting research in related fields of science and located not far from one another will be practiced more widely.<sup>19</sup>

All of this, however, will happen in the near future, but now the shortage of finances received from government agencies in grants and contracts for the material and technical supply of scientific projects is usually covered by establishments of higher education with loans or with the resources of local government budgets.

In this analysis of the present features of military R & D program management, we have concentrated less on administrative procedures than on the economic methods creating an incentive to work on government programs of potential benefit to executors, most of which are completely autonomous organizations in the economic sense. The abovementioned methods of organizing the work on government research programs are convenient for executors and allow clients to secure R & D programs with adequate resources, keep track of research projects and evaluate preliminary results, and oversee project costs and schedules. They provide a clear opportunity to abandon the practice of the ineffective maintenance of the personnel staff of scientific establishments working on government contracts, which is an essential condition for the reduction of non-productive expenditures or even losses of labor, financial, and material resources in the scientific sphere.

#### Footnotes

1. "Defense Department Authorization and Oversight for FY 1987. Hearings, Committee on Armed Services, House of Representatives," Washington, 1986, p 138.
2. The work on R & D programs is done in the following stages: preparations, the verification and confirmation of theories, and full-scale development. Depending on the type, complexity, and cost of the program, each stage can take from several months to several years. A program can go through either all or just a few stages, depending on how new the scientific and technical ideas are and on the degree of work done on these ideas in advance.
3. The centers for information on military technology, industry advisory boards, and data processing centers accumulate information about planned R & D programs and reports on completed research projects and keep records of the projected demand for new weapons in the different military departments ("Defense Department Authorization and Oversight for FY 1987," p 1140).
4. "Report of the Secretary of Defense C. Weinberger to the Congress on the 1988/89 Budget and FY 1988-1992 Defense Program, January 1987," Washington, 1987, pp 102-103.
5. "Department of Defense Program of Research, Development and Acquisition FY 1981," Washington, 1980, p 70.
6. The Pentagon, in particular, contributed to the establishment of such joint industrial-university centers as the integrated circuit center at Stanford University, the

artificial intelligence, computer, and electronics laboratory at the Massachusetts Institute of Technology, the microelectronics and information engineering center of Minnesota State University, and the microprocessor and software research center. A new government-industrial consortium, Sematech, including all of the leading producers of semiconductors, is to be established in the near future (**RESEARCH AND DEVELOPMENT**, April 1987, p 45).

7. "Department of Defense Appropriations for FY 1987. Hearings, Committee on Appropriations, House of Representatives," Washington, 1986.

8. The electro-optics, symbol analysis and image recognition center at Rochester University, advanced engines center of the University of Wisconsin, earth sciences center of Colorado State University, high- particle electronics center of the University of Michigan, biosystems and biotechnology center of Cornell University, and the advanced construction materials center of the University of Illinois (**MILITARY RESEARCH LETTER**, 15 March 1987, pp 2-3).

9. **NATIONAL DEFENSE**, March 1986, p 56.

10. For a long time, for example, parallel work on different stages of the development of air-launched cruise missiles was conducted by the Boeing and General Dynamics corporations. Boeing was awarded the contract for the series-production of the missile.

11. "Defense Department Authorization and Oversight for FY 1987," p 499.

12. "Acquisition Reform—1986. Hearings, Committee on Armed Services, House of Representatives," Washington, 1986, pp 121-135.

13. "Management of the DOD. Part 8. Cost Estimating and Cost Reporting in DOD Weapon Program. Hearings, Committee on Government Operations, House of Representatives," Washington, 1984.

14. "Acquisition Reform—1986," p 145.

15. Contracts were negotiated with no terms stipulated in advance for the purpose of regulating the relations of government agencies with contractor organizations which a) work on absolutely new projects whose exact cost is difficult to determine; b) are manufacturing spare parts and auxiliary equipment; c) are repairing equipment. The terms of these contracts are formulated later, when the work is already being done, as the cost and other characteristics become known ("Report of the Secretary of Defense C. Weinberger....," p 104).

16. **RESEARCH MANAGEMENT**, November-December 1985, pp 23-24.

17. "Defense Department Authorization and Oversight for FY 1987," p 909.

18. "Science Policy Study. Hearings, Committee on Science and Technology, vol 6. The Federal Government and the University Infrastructure. House of Representatives," Washington, September 1985, pp 555-556.

19. "Strengthening the Government-University Partnership in Science," Washington, 1983, pp 9-10. COPYRIGHT: Izdatelstvo "Nauka", "SShA—ekonomika, politika, ideologiya", 1989

#### Book Briefs

*180300081 Moscow SShA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 89 (signed to press 16 Jan 89) pp 106-107*

Reports by V.M. Grishina on book "SShA: politseyskiy kontrol nad obshchestvom" [United States: Police Control of Society] by V.M. Nikolaychik, Moscow, Nauka, 1987, 192 pages; by B.I. Alekhin on book "Severoamerikanskaya integratsiya: ekonomicheskiye i politicheskiye aspekty" [North American Integration: Economic and Political Aspects] by T.V. Lavrovskaya, Moscow, Nauka, 1987; by A.B. Terekhov on book "Vneshneekonomicheskiy kurs respublikanskoy administratsii SShA" [Foreign Economic Line of U.S. Republican Administration] by V.G. Kuryerov, Moscow, Mezhdunarodnye otnosheniya, 1987, 176 pages; and by B.M. Shpotov on book "Poltory voyny ili bolshe? Strategiya nerealisticheskogo ustrasheniya" [A War and a Half Or More? The Strategy of Unrealistic Intimidation] by G.I. Svyatov, Moscow, Mysl, 1987, 222 pages]

[Text]

#### United States: Police Control of Society

Renowned American historian C. Rossiter once wrote that a man cannot feel free unless he has a chance to control his own life and his personal affairs. The Constitution of the United States promises this to every American. In reality, however, everything is quite different. The author of this interesting book describes how an American type of police state has come into being in the United States ("not by the choice of the voters and not through legislation, but as a result of the erosion of democracy"), in spite of the constitutional declaration of various rights and liberties. The work by V.M. Nikolaychik deals with an extremely serious political problem—the violation of "privacy," or, as some people call it, "the right of citizens to be left in peace." The inalienable rights of citizens are being violated on the pretext of the protection of law and order and the struggle against crime. The targets of police surveillance are private individuals and public organizations (the author believes that this also constitutes a violation of "privacy").

The specific methods used in this surveillance—electronic listening devices, the information of secret agents and informers, lie detectors, hypnosis, and drugs—are described on the basis of copious and significant documented information. The author of the book leads the reader to an important conclusion: Although police surveillance has been quite effective in the struggle against street crime, gangsterism, and white-collar crime, it also violates the "privacy" of law-abiding citizens and sometimes interferes with the free exercise of the political rights guaranteed by the U.S. Constitution. This has given rise to a definite contradiction, and it would be difficult to resolve even in a society with a less diversified and qualified investigative system as the one in the United States.

### **North American Integration**

In her definition of the essence of integration, the author transfers the emphasis from the merger of national economies to the final result. The author uses the methods of mathematical analysis to reveal the high level of development in North American integration and its objective role in the development of regional productive forces.

Her assessment of the main economic and politico-military results of the integration process leads to the conclusion that a single military-industrial complex is being established in North America and that a single North American power center is taking shape. In addition, she provides conclusive proof that economic integration, even in its North American form, does not necessarily presuppose political dependence, although it does generate acute conflicts in the most diverse spheres.

### **Foreign Economic Line of U.S. Republican Administration**

The opinion that protectionism was being intensified in the capitalist countries was once commonly expressed in Soviet economic literature. This author argues, however, that the strategy of American imperialism is aimed not at protectionism, but at the liberalization of the trade and economic relations of capitalist countries. This became particularly apparent under the Reagan administration, which believed that economic prosperity depended directly on the freedom of private enterprise and private initiative.

The author argues that the "free trade" policy is of a class nature and stems from the view of economic contacts as an instrument to expand the dominion and enhance the effectiveness of the private capitalist system of economic operations.

Conflicts between imperialist countries, however, have been one of the main reasons for frequent relapses into protectionism and isolationism in their policies, when they have resorted to some restrictions on foreign economic ties even at the expense of their own long-range

interests. The relapses into protectionism have been more frequent in recent years and have been termed the "new protectionism." This trend has not bypassed the United States, although, as the author cogently demonstrates, restrictions have not stopped the continuous growth of imports.

The reader of this book will find many interesting and controversial opinions and explanations of U.S. monetary policy and U.S. relations with developing countries.

### **A War and a Half Or More?**

Much of this book will be a revelation to the general reading public. The author describes the real situation with regard to military spending in the United States and explains how to compare the expenditures of different years. In the 1970's their share of the gross national product declined from 10 percent to 5 percent. At the start of the Reagan administration the U.S. military machine picked up speed, but by the end of the 1980's, as the Soviet-American dialogue progresses, the figure could decline again, in the author's opinion, to 5 percent or less.

Perhaps G.I. Svyatov's monograph would have benefited from a thorough comparative analysis of U.S. and USSR policies on nuclear arms, although the two approaches are interconditional in many respects. The author probably also should have mentioned that our earlier estimates and predictions with regard to future U.S. military policy were not always correct. **COPYRIGHT:** Izdatelstvo "Nauka", "SShA—ekonomika, politika, ideologiya", 1989

### **Chronicle of U.S.-Soviet Relations October-December 1988**

*18030008m Moscow SShA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 89 (signed to press 16 Jan 89) pp 121-124*

[Text]

### **October**

1—The first performance of the joint Soviet-American production of "Sophisticated Ladies" was held in the State Central Concert Hall in Moscow. The guests of honor included R.M. Gorbacheva, USSR Minister of Culture V.G. Zakharov, USSR Deputy Minister of Foreign Affairs A.L. Adamishin, USIA Director C. Wick, Soviet Ambassador to the United States Yu.V. Dubinin, and U.S. Ambassador to the USSR J. Matlock.

3-8—Meetings of the group on strategic offensive arms and the group on space arms continued during the last week of the talks on nuclear and space arms in Geneva. The Soviet side submitted concrete proposals with regard to the external and functional distinctions of

air-launched cruise missiles and heavy bombers. The U.S. delegation made several suggestions regarding the verification of mobile ICBM launchers.

4—At the suggestion of the executives of several U.S. firms, a meeting with First Deputy Chairman of the USSR Council of Ministers and Chairman of USSR State Agroindustrial Committee V.S. Murakhovskiy was held in Moscow. The participants in the conversation were Summit Ltd. President W. Johnson, Summit Ltd. General Counsel J. Cavanaugh, President F. Friday of the Friday Canning Corporation, President R. Graves of Real Fresh, President K. Preston of Southern Frozen Foods, President R. Rossio of Lindsay International, Stokely Chairman of the Board D. Weicks, President J. Melnikovich of the Association of Processing Industry Equipment Manufacturers, and Vice-President L. Graham of the National Food Processors Association.

6—Chairman of the USSR Council of Ministers N.I. Ryzhkov received President H. Fuller of Amoco, an American petrochemical corporation, in the Kremlin.

7—A telegram from President R. Reagan of the United States to General Secretary of the CPSU Central Committee M.S. Gorbachev, congratulating him on his election as chairman of the USSR Supreme Soviet Presidium, was published.

10, 17—Meetings were held in Vienna within the framework of the consultations by representatives of the Warsaw Pact and NATO to draft a mandate for future talks on the reduction of armed forces and conventional arms in Europe from the Atlantic to the Urals.

17—It was announced at a briefing in the press room of the USSR Ministry of Foreign Affairs that the Soviet side had consented, after consulting the Government of the GDR, to talks by the USSR, United States, Great Britain, and France on matters pertaining directly to West Berlin, and primarily from the standpoint of the quadripartite agreement of 3 September 1971.

27—A published statement by the Soviet Government said: "Guided by the hope of preserving and reinforcing the ABM Treaty, we are prepared to take another constructive step in this direction—to destroy the Flat Twin and Pawn Shop radar facilities near Gomel and Moscow.... In turn, the Soviet Union fully expects the United States to take measures to alleviate its concern over the violation of the ABM Treaty as a result of the deployment of the large American radar facility in Greenland and the construction of a similar facility in Great Britain."

Deputy Chairman of the USSR Council of Ministers V.M. Kamentsev received a group of prominent members of industrial, financial, and commercial groups in the American midwest, who were in the Soviet Union to study new possibilities for the development of contacts with Soviet organizations.

29—The joint Soviet-American operation involving the icebreakers "Admiral Makarov" and "Vladimir Arsenyev" to save two whales trapped in the ice on the Alaskan coast came to an end. The participants in the operation to save the whales were congratulated by President R. Reagan of the United States.

31—An official exchange of documents on the results of a joint experiment conducted on the test site in Nevada on 17 August and near Semipalatinsk on 14 September 1988 took place in Geneva at the full-scale Soviet-American talks on the limitation and cessation of nuclear tests in accordance with the USSR-U.S. agreement on a joint experiment in verification.

#### November

1-5—The discussion of questions connected with the drafting of a treaty on the reduction of strategic offensive arms by 50 percent while observing the ABM Treaty continued at the Soviet-American talks on nuclear and space weapons.

2—E.A. Shevardnadze received Director R. Solomon of the U.S. State Department Policy Planning Staff, who was in the USSR for consultations in the USSR Ministry of Foreign Affairs.

That same day the Soviet foreign minister received the head of the Seagram Corporation, President E. Bronfman of the World Jewish Congress.

A meeting of representatives of the USSR and the United States, where experts discussed the possibility of turning the Krasnoyarsk radar facility into a center for international cooperation in the peaceful study and use of outer space, came to an end in Geneva.

7—President R. Reagan of the United States sent Chairman of the USSR Supreme Soviet Presidium M.S. Gorbachev his greetings on the national holiday of the USSR.

7-14—Meetings were held in Vienna within the framework of the consultations by representatives of the Warsaw Pact and NATO to draft a mandate for future talks on the reduction of armed forces and conventional arms in Europe from the Atlantic to the Urals.

9—M.S. Gorbachev congratulated G. Bush on his election as president of the United States. In his reply, Bush expressed deep gratitude for the friendly congratulations.

10—In Geneva the quadrilateral meeting of Angola, Cuba, and South Africa, mediated by the United States, on the settlement of conflicts in South-West Africa was preceded by the latest round of Soviet-American consultations.

14-18—The first Soviet-American interparliamentary seminar on humanitarian cooperation and human rights was held in Moscow. Participants agreed that future seminars would be held alternately in Moscow and Washington. These will be accompanied by new forms of contact between the USSR Supreme Soviet and U.S. Congress for the discussion of various humanitarian issues. The U.S. congressmen attending the seminar visited Leningrad on 18 and 19 November.

15—N.I. Ryzhkov received S. Eaton, Jr., chairman of the board of S. Eaton World Trade, in the Kremlin when he came to the USSR to discuss his company's proposals regarding a tourist cultural center near Leningrad with Soviet organizations.

16—A published statement by a USSR Ministry of Foreign Affairs spokesman in connection with the missile attack on Kabul International Airport, which killed 10 Soviet soldiers and wounded 11, requests the United States and Pakistan to use their "influence to discourage the Peshawar opposition from continuing these acts of piracy."

The 10th round of the Soviet-American talks on nuclear and space arms came to an end in Geneva.

18—According to the data of the Soviet National Center for the Reduction of the Nuclear Threat, the steps to implement the INF Treaty resulted in the destruction of 385 missiles (not counting training missiles) and 147 launchers in the Soviet Union; in the United States 96 missiles and 17 launchers were destroyed. The USSR has conducted 40 inspections on the territory of the United States and its allies, and the United States has conducted 165 inspections on the territory of the USSR and its allies.

An agreement was signed in Moscow by the All-Union Copyright Agency and the Bureau of National Affairs, an American publishing firm, on the publication of an anthology of articles from MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in English in the United States.

21—A Soviet-American friendship rally was held in New York near the UN building.

28—The third session of the special verification commission established in accordance with the Soviet-American INF Treaty began in Geneva.

A Soviet-American symposium on "Economic Growth in Modern Industrial Societies: the USSR and the United States" began in Moscow. It will continue until 1 December.

29—The 10th round of Soviet-American consultations on a chemical weapon ban began in Geneva.

## December

1-7—A forum for Soviet and American youth was held in Philadelphia. Political scientists, economists, journalists, and specialists in other fields exchanged opinions and discussed the possibility of several agreements on joint projects.

3—First Deputy Minister of Foreign Affairs A.A. Bessmertnykh received U.S. Ambassador J. Matlock. They discussed some specific aspects of Soviet-American relations.

5—A group of 10 Soviet inspectors arrived at the U.S. army base in Pueblo (Colorado). The military experts from the USSR will observe the burning of another group of engines from American Pershing II missiles to be destroyed in line with the Soviet-American INF Treaty.

6—M.S. Gorbachev arrived in New York to speak at the 43d session of the UN General Assembly. He was accompanied on his trip by E.A. Shevardnadze, A.N. Yakovlev, and V.N. Kamentsev.

7—M.S. Gorbachev addressed the 43d session of the UN General Assembly, submitting for the consideration of the world community an extensive program for the resolution of many global problems and several urgent problems in international relations. The Soviet leader announced unilateral measures by the USSR to reduce its armed forces—the reduction of armed forces personnel by 500,000 men in the next 2 years. The Soviet Armed Forces in the European part of the USSR and on the territory of its European allies will be reduced by 10,000 tanks, 8,500 artillery systems, and 800 combat planes; 6 tank divisions will be withdrawn from the GDR, CSSR, and Hungary and will be disbanded by 1991.

M.S. Gorbachev commented on changes for the better in the essence and atmosphere of relations between Moscow and Washington. "We appreciate this," he said, stressing that the Bush administration "can regard us as a partner, willing—without lengthy hesitation or vacillation—to continue the dialogue in the spirit of realism, openness, and goodwill, striving for concrete results on the agenda," which will include the conclusion of a treaty on the 50-percent reduction of strategic offensive arms while observing the ABM Treaty, the drafting of a convention for the elimination of chemical weapons, and talks on the reduction of conventional arms and armed forces in Europe and on economic, ecological, and humanistic issues.

The fifth meeting of M.S. Gorbachev and R. Reagan took place on Governors Island; it was also attended by G. Bush. One of the leitmotifs of the conversation was the idea of continuity in the implementation of existing agreements and the search for new ones and in the nature of communication at all levels.

E.A. Shevardnadze had a meeting with G. Shultz. They discussed some current issues in Soviet-American relations and several urgent problems in world politics in a constructive manner.

8—A.N. Yakovlev had a meeting with representatives of the New York public. The dialogue was initiated by the American SANE-Freeze organization and local religious organizations.

E.A. Shevardnadze held a press conference in New York to announce that M.S. Gorbachev had to return to his homeland in connection with the earthquake in Armenia.

10—By a decision of the U.S. Government, a special plane was sent to the USSR with medicine, clothing, bedding, and a search team with dogs trained to rescue people trapped under layers of debris. A Soviet-American air lift was organized. This was the first time the United States gave the Soviet Union official assistance since World War II.

11—Armand Hammer, the head of the California campaign to aid the Armenian victims, contributed a million dollars to the relief fund.

12—The latest session of the Soviet-American Standing Consultative Commission came to an end in Geneva.

Ronald Reagan visited the USSR Embassy in Washington with his wife. They wrote messages of sympathy in the embassy book of condolences.

American Ambassador J. Matlock expressed his deepest condolences in connection with the terrible tragedy in the Armenian SSR and reported that the U.S. Embassy would deposit 25,000 dollars in the USSR Foreign Economic Bank to aid the earthquake victims.

21—The first American exhibit of Soviet export goods, held in the Jacob Javits Convention Center, one of the largest centers of its kind in New York, came to an end. Contracts for more than 300 million dollars were signed.

22—A tripartite agreement by Angola, Cuba, and South Africa and a bilateral agreement by Angola and Cuba on the settlement of conflicts in South-West Africa were signed in UN headquarters. The agreements should guarantee the necessary conditions for the implementation of UN Security Council Resolution 435 on the granting of independence to Namibia. Speaking at the signing ceremony, U.S. Secretary of State G. Shultz said: "The sides directly involved made sovereign decisions in the name of peace, but they were backed up by the resolute support and encouragement of the United States and Soviet Union."

23—Documents on the founding of the Soviet-American Sovinterinvest enterprise were signed in Moscow. It will serve as an intermediary in the search for foreign partners with the most advanced technology in a variety of fields.

25—John and George Bush, the son and grandson of the new President of the United States, arrived in Yerevan on a plane delivering dozens of tons of freight for the earthquake victims, collected throughout America by the Americares charitable organization. They visited the disaster zone.

26—A.A. Bessmertnykh invited U.S. Ambassador J. Matlock to his office for a discussion of the state of affairs in several regions, including the southern Mediterranean.

An agreement on the organization of the first Soviet-American sailboat crossing of the Atlantic, scheduled for 1 June-9 September 1989, was signed in Moscow.  
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**Articles Not Translated from SSHA:  
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